

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.

CONFIDENTIAL TRANSCRIPT
VOLUME 4
PAGES 474 - 718

PROCEEDINGS: HEARING

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

DATE: Thursday, July 9, 2020

TIME: Commenced: 9:30 a.m.
Concluded: 3:01 p.m.

REPORTED BY: DEBRA R. KRICK
Court Reporter

APPEARANCES: (As heretofore noted.)

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Room 148
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1 I N D E X

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3 NAME : PAGE

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

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

4 CHAIRMAN CLARK: All right. We are going to
5 pretty much be ready to get started here this
6 morning. I think all of the participants are in
7 their respective places.

8 Just a couple of notes to begin with this
9 morning. We left off, I believe, Mr. Rehwinkel is
10 in the process of his cross on Mr. Hobbs. I am
11 still hoping -- there is hope that we are finishing
12 up somewhere around lunchtime today. Mr. Moyle, I
13 am working on your -- your hard two o'clock
14 deadline. That's kind of, I am hoping, our
15 drop-dead time. So we are go dog everything
16 possible to get us out within this timeline.
17 Nevertheless, we will finish today one way or
18 another. So if everyone would try to move along as
19 expeditiously as possible, it would be greatly
20 appreciated.

21 Any opening comments, questions or concerns
22 this morning? Ms. Brownless, we will start with
23 you.

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

25 CHAIRMAN CLARK: All right. Ms. Helton,

1 anything on our end?

2 MS. HELTON: Not that I am aware of, Mr.

3 Chairman.

4 CHAIRMAN CLARK: All right. And

5 Commissioners, anything from my Commissioners? All

6 right --

7 COMMISSIONER GRAHAM: Nothing here, sir.

8 CHAIRMAN CLARK: Everybody is happy, ready to

9 role this morning.

10 Mr. Rehwinkel, turning it over to you.

11 MR. REHWINKEL: Thank you, Mr. Chairman, and

12 good morning, everyone.

13 Whereupon,

14 TERRY HOBBS

15 was recalled as a witness, having been previously duly

16 sworn to speak the truth, the whole truth, and nothing

17 but the truth, was examined and testified as follows:

18 EXAMINATION (continued)

19 BY MR. REHWINKEL:

20 Q Mr. Hobbs, if I could get you to turn to your

21 Exhibit TH-1 which is Exhibit 6C, DSA at page 46.

22 A Yes, sir, I am there.

23 Q Okay. This is -- contained Article 5, which

24 says Termination, and there are two provisions, 5.1.3

25 and 5.1.4 I want to ask you about.

1 Is it your understanding that these two
2 provisions govern the rights of -- of ADP and Duke with
3 respect to what would happen if there is not a -- well,
4 what would happen relative to the regulatory approvals
5 that are required under the deal?

6 A Yes, sir.

7 Q So 5.1.3 says that the company or contractor,
8 Duke or ADP, can terminate if the contractor's required
9 regulatory approval or company's required regulatory
10 approval has been denied and is non-appealable. Do you
11 see that?

12 A Yes, sir.

13 Q Or if the company or contractor, as
14 applicable, elects not to appeal, right?

15 A Yes.

16 Q And then there is -- 5.1.4 says: The company
17 or contractor, if closing does not occur within three
18 months following receipt of the last of the contractor's
19 required regulatory approvals and the company's required
20 regulatory approvals. Do you see that?

21 A Yes, sir.

22 Q And regulatory approvals, I think you got to
23 go back to page 596, which is Attachment 7. Do you have
24 that?

25 A Yes, sir.

1 Q And that's -- that's a defined term, company's
2 required regulatory approvals, and it is -- it is shown
3 in Item 1 here. There is three parts. NRC approval,
4 you have gotten that. Private letter ruling from the
5 IRS, you have gotten that. And the third one is the
6 Florida Public Service Commission approval of the
7 transaction as contemplated by the agreement, the SNF
8 PSA and the ancillary agreements, right?

9 A Right.

10 Q Okay. So I just -- it doesn't say explicitly
11 in any of these provisions we just reviewed that the
12 Commission's order has to be final and non-appealable,
13 does it?

14 A I think what we just reviewed is the extent of
15 that language in our DSA.

16 Q Okay. Is -- does Duke intend to close the
17 deal if the order approving this transaction is appealed
18 while such an appeal is pending?

19 A No, sir. We -- the way I understand the
20 Article 5 is we cannot do that.

21 Q Okay. If the Commission places any conditions
22 whatsoever on the -- the deal in its order approving the
23 deal, would the -- would the company close the deal?

24 A We would have to consider what -- what -- what
25 would be appropriate, us and our counter-party, ADP.

1 Q Okay. Is it your position that the deal that
2 the Commission has before it is take it or leave it?

3 A No, sir. You know, we -- one option, depends
4 on how this goes -- we -- we could enter into
5 negotiation with ADP. But honestly, my opinion is I
6 worry that I would not get the protections and benefits
7 for our customers that I have in our DSA.

8 I would worry about the pricing changes. I
9 would worry about risk -- some of the risk to Duke
10 Energy Florida and its customers and those things.

11 So really, my big concern is having to
12 renegotiate a contract that we signed over a year ago,
13 things have changed, and if we are forced to go back in
14 and renegotiate, I -- I just worry that our customers
15 would not get the benefits and protections that they
16 currently have in this transaction.

17 Q Okay. Thank you.

18 Let's now turn, if we can, to your -- your
19 testimony to page 14, and lines 11 through 23.

20 Is it your testimony here that the RFP process
21 demonstrated ADP's qualifications?

22 A Yes, sir.

23 Q Okay.

24 A Tell me the line again, Mr. Rehwinkel.

25 Q Okay. It starts on line 11 down to 23.

1 A Yeah, I am there.

2 Q And I am asking about the whole Q&A there.

3 A Okay.

4 Q Okay. In this answer here, financial
5 capability is not listed and -- and those aspects that
6 you evaluated as shown in this answer, is it?

7 A This question was -- asked are they qualified
8 to perform the services? I think the financial
9 questions are separate questions. That was a separate
10 review.

11 So as I think back through the process, we had
12 a technical review team, we had financial review team
13 and we had a legal team. So the technical -- so this is
14 really speaking mostly to the technical review team that
15 we actually, not only did we look at ADP, we looked at
16 the other three proposals that were part of this request
17 for proposal proc -- competitive bidding process.

18 Q Okay. Did you evaluate ADP based on the
19 projects that were listed in Mr. State's Exhibits SS-1
20 and SS-2?

21 A We were familiar with those projects because
22 part of our bidding instructions were to share with us
23 their relevant experience, and it was helpful for the
24 technical team and they reviewed it.

25 As I recall -- and all the bidders did that,

1 but it was really a comparison of bids from a technical
2 standpoint. From the technical side, it was really
3 compare the four bids and look at their relevant
4 experience along with these other items that I -- I
5 highlight here in my response on page -- whatever page
6 it is.

7 Q 14.

8 A Page 14, yes, sir.

9 Q As a part of any review you did of ADP, did
10 you evaluate the lawsuit in the Delaware Chancery
11 Court --

12 A No, sir.

13 Q -- related to the merger of LVI and NCM?

14 A No, sir, we did not. You know, we were
15 certainly familiar that the Vermont Yankee transaction
16 was playing out. I don't think it had been finalized
17 when -- when we were in this process, but we -- we were
18 familiar with that, but we did not go and do any
19 additional searches of, say, history of the -- the
20 predecessor company.

21 Q Okay. But all of your technical experience --
22 technical evaluation of the experience looked at what
23 the predecessor company did, right?

24 A I don't -- I don't -- I had a team of people
25 doing it, but I don't know what weighting factors they

1 may have put on these previous projects. I do know that
2 there was comparisons of bid to bid. And of course, we
3 had the background information of our past cost studies.
4 So we had -- also had kind of a baseline of what -- the
5 cost studies that we had supplied for this commission
6 over the years. And it -- you know, it included a lot
7 of detail about, you know, the -- the scopes of work and
8 all that.

9 So I would say that being able to compare
10 proposals, including the ADP proposal, to what we knew
11 from our past cost studies was, in my -- as I recall,
12 was weighted much heavier than the relevant experience
13 of these companies.

14 **Q Okay. Thank you.**

15 **Let's go to page seven of your direct**
16 **testimony, and I want to ask you about lines 13 and 14.**

17 A Okay.

18 **Q Are you there?**

19 A Yes, sir.

20 **Q So you mention here the TRC, or Transaction**
21 **Review Committee as a -- one of the final stops on the**
22 **way to the Board approval; is that right?**

23 A Yes, sir.

24 **Q Now, is the Transaction Review Committee the**
25 **same as the -- what did we call it?**

1 A Transaction and Risk Committee, yes, they are
2 one in the same.

3 Q Okay. They have the same initials. There is
4 no -- just because there is maybe different words in
5 there, it's the same people doing the same function; is
6 that right?

7 A Yes, sir.

8 Q Okay. Thank you.

9 Did -- this Transaction Review Committee, that
10 is a very high level committee within the Duke Energy
11 corporate structure; is that right?

12 A Yes, sir.

13 Q Could you tell me who and what kinds of people
14 are on that committee?

15 A Many of the members are direct reports to our
16 Chief Executive Officer Ms. Lynn Good.

17 Q So senior executives of the company?

18 A Yes, sir.

19 Q Okay. And isn't it true that you participated
20 in developing the information that the TRC used to
21 evaluate and approve the deal to recommend to the
22 approval -- to the Board for approval?

23 A Yes, that's true.

24 Q Okay. Would it be fair to say that the Board,
25 in approving the deal, relied on the recommendation of

1 **the TRC?**

2 A As I recall the process, the individual
3 members had members of their staff do deep dives into
4 their particular areas of expertise. I would say that
5 that was primarily what the members relied on, and that
6 started approximately one month before the meeting.

7 So the members had -- and their staff, and
8 their staffs would reach out to my project team, and
9 they would collaborate with each other in many different
10 areas. And I would say that that was where the members
11 got the -- most of their information and insights from
12 their own subject matter experts.

13 The actual meeting -- I was at the meeting,
14 and we presented the proposed transaction at the time to
15 the committee. We answered their questions, and that's
16 how it proceeded.

17 Q **So I -- I appreciate that. I was trying to**
18 **understand if the Duke Energy board would have relied on**
19 **the TRC's recommendation or approval of the deal?**

20 A You cannot -- you cannot even take a proposed
21 transaction to the Board without TRC approval. So it is
22 a necessary action and decision by our senior
23 executives, and it is a -- it's the gateway to even
24 get -- get on the agenda for our board to consider, and
25 then that's -- it's got its own process for leading up

1 to the -- to our company's Board of Directors.

2 Q Okay. Thank you.

3 Let's, if -- if we can, turn to Exhibit 7 --
4 OPC Exhibit 17C, which is now hearing Exhibit 39. Do
5 you have that with you?

6 A Would you go to the first page so I can see
7 what it is?

8 Yes, sir, I have that with me.

9 Q Okay. Thank you.

10 Now, this document is essentially the work
11 product that was presented to the TRC for their
12 consideration on, was it May 1st, 2019?

13 A I don't recall the exact date, but, yes, this
14 is the work product that the members of the TRC was
15 provided.

16 Q Okay. It -- it looks like -- it says: TRC
17 meeting date March 19th, 2019, right?

18 A That -- that sounds -- that sounds right.

19 Q Okay. Did the Board vote on this on May 1st,
20 2019?

21 A I believe so.

22 Q Okay. But this -- this report is -- is
23 basically the work product of your team and -- and I am
24 sure many people had input into it, but you would be the
25 primary author of this?

1 A I think it was more collaborative than that.
2 I think it was a team approach, and it also -- this
3 final product also is the result of the discussions that
4 my project team had with all the various scrub team
5 members. The scrub team are those subject matter
6 experts that report ultimately to the senior executives,
7 so it was a very collaborative report.

8 Q Okay. Thank you.

9 I am -- I am going to ask you some questions
10 about this. The whole document has been deemed
11 confidential. So if I ask you a question and I ask you
12 to read something, I would like you to read it to
13 yourself first, and then we might ask if -- if it's
14 confidential or not. But -- but I do not want to be the
15 reason why you vocalize confidential information. I am
16 not trying to get you to do that. I want you to take
17 your time and make sure that you are comfortable with
18 speaking; is that understood?

19 A Yes, sir.

20 Q Okay. Do you feel like you would know whether
21 information in here is confidential or no longer
22 confidential?

23 A I think I will have to look on a case-by-case
24 basis based on your questions.

25 Q Okay. That's fair.

1 If you could turn to page six, I would ask you
2 to read the very last sentence to yourself, and then
3 read it aloud if you or your counsel, or your counsel
4 especially agrees that you can?

5 A Yes, we can.

6 Q Okay. And could you please read that?

7 A ADP team decommissioning experience is
8 highlighted in Appendix 2.

9 Q Okay. What was the purpose of that sentence
10 and Appendix 2 as a part of this report?

11 A As I recall, I think we were communicating
12 that this -- ADP had, in fact, had experience doing
13 decommissionings, including nuclear decommissioning.

14 Q Okay. Before you -- I get you to turn to page
15 22, can I get you to turn back to page one?

16 A I am there.

17 Q Okay, and I would like for you to look at the
18 one, two, three, four, five, sixth sentence -- sixth
19 paragraph that starts with the word "Due".

20 A Okay.

21 Q And I want you to read that to yourself.

22 A Okay.

23 Q And then tell me if any of that information
24 can be read aloud.

25 MS. TRIPLETT: So, Mr. Rehwinkel, he is

1 looking at me as counsel, so I am going to have
2 to -- I believe that the first sentence is --
3 everything up until the word "provided" --

4 MR. REHWINKEL: Okay.

5 MS. TRIPLETT: -- I think is not confidential.
6 I think, okay.

7 MR. REHWINKEL: And what about after that?
8 Well, what about the last sentence?

9 THE WITNESS: The last sentence.

10 MS. TRIPLETT: The last sentence is not
11 confidential.

12 MR. REHWINKEL: Okay, so let's --

13 MS. TRIPLETT: I am sorry, to be clear, that
14 one paragraph that you are just talking about that?

15 MR. REHWINKEL: Yeah, that's all.

16 MS. TRIPLETT: Sorry. This assumption is
17 all -- that is not confidential, okay.

18 BY MR. REHWINKEL:

19 Q So if you could read aloud everything through
20 ADP and then read the last sentence, does that --

21 A Due to project management efficiencies that
22 can be achieved with the CR3 project and the
23 decommissioning of Crystal River Units 1 and 2 being
24 performed by sister companies. And then the final
25 sentence says: This assumption is consistent with Coal

1 Combustion Products plans.

2 Q Okay. Can you tell me what Coal Combustion
3 Product plans, or CPP --

4 A Yes, sir. They -- Coal Combustion Products is
5 the organization within Duke Energy that for -- for our
6 fossil hydro plants, especially the coal burning plants
7 throughout our service territory, they are responsible
8 for managing the ash that is produced across our service
9 territories.

10 They also are responsible for the retirement
11 and demolition of those same plants. So they had a
12 competitive -- competitive bid process going on in
13 parallel with the one we performed, and -- and this is
14 what we wanted our senior executives to know, and that's
15 why we used the word "assumption". We were not trying
16 to predict what -- how these two separate and apart
17 competitive bid processes would end up.

18 Q Okay. All right. So let's go now, if you
19 can, to page 22, and Appendix 2.

20 A Okay.

21 Q And I would ask if, under Appendix 2 there,
22 the second paragraph, is there anything in that that is
23 confidential and that you could not read aloud?

24 A I don't think it's confidential.

25 Q Okay. You would read that paragraph?

1 A Yes, sir.

2 The ADP Team has participated in the
3 decommissioning of many of the major nuclear
4 decommissioning projects in the US and overseas. ADP is
5 an already formed alliance of NorthStar and Orano in an
6 existing joint venture created specifically for the
7 purpose of nuclear power plant decommissioning including
8 the Vermont Yankee. The following figure provides an
9 overview of the ADP qualifications.

10 Q And it would be fair to say that this document
11 here below what you just read was provided to you by
12 ADP?

13 A Yes, sir. That was part of their proposal.
14 We specifically asked them to provide, and all the other
15 bidders, to provide their experience.

16 Q Okay. Now, the reference in the first
17 sentence is to major nuclear decommissioning projects,
18 but this document covers both nuclear and nonnuclear
19 decommissioning, is that fair?

20 A I -- I haven't reviewed it in -- in a while,
21 so I -- I don't know if there is nonnuclear projects on
22 here or not.

23 Q Well, let's look at the first seven.

24 A Okay.

25 Q Are the names of these units confidential?

1 A I do -- I do not think so.

2 Q Okay. So Duke Energy Gibson Station, that's
3 3,415-megawatt coal-fired plant in Indiana, is it not?

4 A I don't know the rating. I do believe it is a
5 plant -- a -- a -- a fossil plant in Indiana.

6 Q It's your largest coal -- it's your largest
7 unit in the Duke system, isn't it?

8 A I focus on decommissioning, Mr. Rehwinkel. I
9 don't -- I don't engage a lot with these types of
10 matters.

11 Q Okay. Duke Energy HF Lee Power Generation
12 Station, that's a coal plant in North Carolina, I think,
13 right?

14 A I think so.

15 Q And then WC -- WC Beckjord -- I don't know how
16 you pronounce B-E-C-K-J-O-R-D, but that's a coal plant,
17 right?

18 A I don't know.

19 Q Okay. Duke Energy Gibson Station, do you know
20 what SAFL is?

21 A No, sir.

22 Q Okay. Duke Energy Former Kinston, NC MGP
23 Site, that's a manufactured gas contamination site,
24 right?

25 A I don't know.

1 Q Okay. What about the Duke Energy Sanford
2 MGP -- MGP does stand for manufactured gas plant, or
3 gasification?

4 A I don't know.

5 Q Okay. That's over near Orlando, isn't it?

6 A I don't know.

7 Q Okay. And the Duke Energy Ward Transformer,
8 that was a PCB situation, right?

9 A I don't know.

10 Q Okay. Do you believe these items have
11 anything to do with nuclear decommissioning?

12 A I do not think they are nuclear.

13 Q Okay. If I look down in the completion date
14 column -- and I don't want to associate these dates with
15 any -- any plant, but --

16 MR. REHWINKEL: Ms. Triplett, can I ask him
17 about just vocalizing the numbers of the dates
18 without associating them with any project?

19 MS. TRIPLETT: I -- I think that -- so I -- I
20 am hesitating because, you know, you asked
21 Mr. State some questions, and he seemed much more
22 able to say what's confidential and what's not.

23 I think perhaps I would be comfortable with --
24 if you are -- if you are -- if you are intending to
25 try and characterize the -- the vintage of the --

1 of the projects, and maybe say the earliest one,
2 something like that perhaps. But I am -- I am
3 exercising caution because this is an area that I
4 am not as familiar with from ADP's perspective, and
5 it's their information.

6 MR. REHWINKEL: Okay. So all I want to do is
7 elicit that there are a number of projects that
8 are -- show completion dates in the future. And,
9 like, I would want to ask -- if you take the
10 farthest out project, I would want to say: Is
11 there a project that shows a completion date of,
12 say, this year, not say what the project is?

13 THE WITNESS: I am not -- can you ask me the
14 question again, sir?

15 MS. TRIPLETT: No, he is not -- he is asking
16 me. I think that -- that is fine.

17 MR. REHWINKEL: Okay.

18 BY MR. REHWINKEL:

19 Q So if -- if you could just look in the
20 completion date column, and you will see -- well, I just
21 went through those seven Duke projects. But if you go
22 down, you drop down a couple of lines below that, you
23 see a project that -- that shows a completion date of
24 2022, right?

25 A I see that.

1 Q Okay. And then if you go down a few more,
2 maybe four more lines, you see a project that shows a
3 completion date of 2023, right?

4 A I do see that, yes.

5 Q Then you go down four more lines, you see a
6 project of 20 -- with a completion date of 2022, right?

7 A Right.

8 Q And then below that, you see a completion
9 date, it says ongoing, right?

10 A I do see that.

11 Q And then two -- two more lines, do you see
12 below that 2030 as a completion date, right?

13 A Right.

14 Q And then you drop down three or four more
15 lines, and you see a completion date of 2025, right?

16 A Right.

17 Q And then another three or four lines down, you
18 see another 2025, right?

19 A Right.

20 Q Then you go down three or four more lines, and
21 you see a 2021?

22 A Right.

23 Q Okay. And then you go three lines from the
24 bottom and you see a 2020?

25 A Right.

1 Q Okay. Now, based on what you know, does
2 that -- and without saying the project -- does that 2020
3 completion date look right to you?

4 A I -- I do not think it's consistent with what
5 Mr. State stated yesterday.

6 Q Okay. So all those dates, assuming they each
7 associate with a discrete project on page 22 here, they
8 can't be considered experienced, can they, because they
9 haven't happened; isn't that right?

10 A No, I don't agree with that. Some of these
11 projects take decades, so I would say that there are
12 lessons learned every day, every week, every month,
13 every year of a project, and those lessons absolutely
14 can be applied to the next project. They can be shared
15 with other vendors. So that's my view of experience.
16 It doesn't have to be a completed project. It's what
17 have you learned.

18 And -- and to give you an example, the -- one
19 of the projects that Mr. State talked about yesterday,
20 and he talked a good bit about reactor vessel internals
21 and reactor vessels, a lot of that will have absolutely
22 applicability to the Crystal River 3 decommissioning
23 when that scope of work comes up.

24 So that is my view, and I think that was my
25 team's view who performed these reviews deemed this --

1 this information.

2 Q But do you -- do you know, for example,
3 without naming the project, the one that says 2030, do
4 you know whether that was either under way?

5 A I don't know anything about that project. I
6 am sure my team probably had some discussions when they
7 were going through this, but I don't.

8 Q Okay. In March of 2019, how much had occurred
9 at Vermont Yankee?

10 A So I visited the Vermont Yankee plant last
11 year. I wanted to go up and I wanted to see how it was
12 organized, and I wanted to see how the project was, and
13 I had an opportunity to talk to the staff who's managing
14 that.

15 And what I learned in was that I believe they
16 became the licensee in January of 2019, but they had had
17 a site presence, I believe, for two years prior to that,
18 and they had, you know, performed a lot of work, done a
19 lot of planning. So I -- I knew a good bit about it in
20 March, because I have colleagues, like everyone does,
21 around the industry, and we talk regularly, but I -- I
22 got a firsthand view. So I -- they were -- they were,
23 especially as Mr. State stated yesterday, that first
24 year, there is a lot of planning and preparation, and
25 they had certainly been doing that.

1 So I think they were certainly moving right
2 along. They were doing some physical work. So, yeah, I
3 think, as Mr. State stated, that project so far as went
4 very well. Seems to be -- I think I heard Mr. State say
5 that they will actually -- right now they would forecast
6 completing prior to the six-year window that they
7 originally started with.

8 **Q So I think Mr. State, my recollection is he**
9 **got kind of indignant when I asked him about the plant,**
10 **and -- and he said, these guys, Orano, do reactor**
11 **internals dismantlement decontamination; do you recall**
12 **that?**

13 A I am -- I lost you somewhere between indignant
14 and then reactor vessel internals, sir.

15 **Q Okay. So on this -- this page 22, this is**
16 **reflecting Orano's work, right?**

17 A You mean this list of projects on this page?

18 **Q Yes.**

19 A I think -- I think it's the collective
20 experience of ADP and their parent companies. That's
21 how I have always viewed this particular page.

22 **Q Okay. Do you recall Mr. State saying that in**
23 **July of 2019, they knocked down the mechanical draft**
24 **towers?**

25 A Yes, sir. I do remember him saying that.

1 Q And then after that, they were going to go and
2 start doing the -- the internals?

3 A Yes, sir, I do remember that.

4 Q Okay. So given that timeline, they couldn't
5 have had any experience with doing any -- any of the
6 reactor disassembly or decontamination work, right?

7 A I don't think that's right. I am not sure --
8 I -- I believe that Orano has a lot of experience with
9 reactor vessel internals and reactor vessels, and that
10 the -- the Vermont project Mr. State described is just
11 the latest that -- they are currently doing that. That
12 work was in progress when I was up there last year, and
13 I got to go into the command center. As Mr. State
14 talked about, a lot of that has to be done remotely. So
15 very elaborate monitoring and controlling, you know, the
16 areas people go, and I was -- I walked away very
17 impressed with how they were performing that work.

18 Q Okay. Isn't it true that you relied
19 extensively on what the ADP executives told you about
20 their experience?

21 A Relied on. I would say that their bid
22 proposal looks like others who had a lot of experience.
23 So I think my project team reviewed it, as they did the
24 other three proposals that we originally received.

25 Q Well, didn't you tell me before that you don't

1 **pretend to know a lot about the ADP companies?**

2 A You know, what I know about the ADP companies
3 is what I have put in my testimony. What I know about
4 them is what was in the license transfer application
5 that included the organizational charts that you and
6 Mr. State discussed yesterday, but that's the extent.

7 I mean, I was focused on getting, first of
8 all, really was it even feasible for Duke Energy to even
9 consider accelerating the decommissioning of Crystal
10 River 3. So that was my focus. And then we had some
11 very high level things we wanted to achieve, if it was
12 feasible, which turned out it is. We wanted cost
13 certainties. We wanted maximum risk transfer. And we
14 wanted to control the trust fund.

15 And that -- those three things were from
16 basically like all industries. Our colleagues that are
17 in various stages of decommissioning around the country,
18 those were just some lessons learned that they had
19 shared with us as we were really preparing to he get
20 into this process -- to this competitive bid process.

21 Q **Okay. Let's turn to page 15, lines -- and I**
22 **want to direct you to lines 10 through 13.**

23 **There, you testify that you don't foresee the**
24 **need to raise -- oh, I am sorry.**

25 MS. TRIPLETT: Are you on his testimony -- are

1 you on his testimony or in that document?

2 MR. REHWINKEL: I apologize. Page 15 of his
3 testimony.

4 MS. TRIPLETT: Thanks. Just give us a moment,
5 please, to pull it up.

6 MR. REHWINKEL: Okay. Line 10, I will take
7 you -- take you there.

8 THE WITNESS: Yes, sir, I am there.

9 BY MR. REHWINKEL:

10 Q Okay. Thank you. I apologize for the
11 misstart there.

12 There you testify that you don't foresee the
13 need to raise customer rates to fund the transaction --

14 A Yes, sir.

15 Q -- is that correct?

16 A Yes, sir.

17 Q You cannot assure the Commission that you
18 won't try to raise customer rates if you run out of
19 money and the job isn't done, is that right?

20 A I would say we built in a lot of protections
21 to make the probability that we would need to come to
22 this commission, or whatever commission, to seek to
23 raise rates. We have put a lot of protections, and I
24 still -- I still believe that I do not foresee any
25 scenario that gets us there, at least in the next couple

1 of decades. Because as I said yesterday, Mr. Rehwinkel,
2 time alone is a great protection for our customers.

3 We still have until 2074 to do this project.
4 So if something unforeseen happens, one of the great
5 protections we have is that we can return to where the
6 plant is today, to the safe store condition, and let the
7 existing -- let the remaining trust fund continue to
8 grow, and even that alone keeps us from having to come
9 to this commission to petition for rate -- rate
10 increases.

11 Q Okay. So anywhere you use -- you use the word
12 "guarantee" or "assure", you are -- you are not
13 intending to express that you are guaranteeing that
14 there will be money left at the end of the project; is
15 that right?

16 A I am not guaranteeing we -- we will never come
17 back for a rate increase since we don't know what could
18 happen in the next, I don't know, 53 years. And I will
19 not guarantee that there is money left over, because,
20 you know, as we discussed yesterday, Mr. Rehwinkel,
21 the -- the risk that Duke Energy covers, or continues to
22 carry is the change in end state condition. Duke Energy
23 carries that risk until the NRC license is terminated.
24 Currently, we estimate that to be 20389. So the money
25 in the Crystal River reserve account is in place for

1 that risk, and until that risk is removed via the NRC
2 license termination.

3 Q Okay. Line 21 on page -- still on page 15,
4 you state that Mr. Doss' study confirms that you expect
5 to complete decommissioning without raising rates, is
6 that right?

7 A Yes, sir. That's correct.

8 Q Okay. And by confirms there, you are not
9 saying that the study confirms that the job will be
10 completed for the agreed amount, is that right?

11 A I am not sure.

12 Q Okay. Let me ask you --

13 A I -- here's where I got confused. When you
14 introduced the agreed amount, I lost you, Mr. Rehwinkel.

15 Q Okay. When I -- the agreed amount is a
16 defined termination in the DSA. I think we looked at
17 that yesterday, right? Okay.

18 A Yes.

19 Q My question to you is -- and I should break it
20 up into two pieces.

21 The study of Mr. Doss that you referred to
22 doesn't confirm that the job will complete it at all,
23 does it?

24 A As I recall the study -- let me back up.

25 My testimony is that we do not, without

1 needing additional funds from our customers. This is
2 not trying to predict is the -- is the agreed amount
3 going to change. So that's what my testimony is about.
4 But I -- out of respect, I will try to answer your
5 question, but it's not what my testimony is saying.

6 **Q Okay. I just want to understand the nature of**
7 **the word "confirmed", and I -- so forget about the**
8 **agreed amount right for the -- for the moment. I want**
9 **to ask you if you are -- you are -- you are not saying**
10 **that the study confirms that ADP will finish the job.**
11 **That's -- it assumes that, it doesn't confirm that?**

12 **A It is an assumption that the agreed amount is**
13 **sufficient for ADP to -- to -- to do the**
14 **decommissioning.**

15 **Q And -- and just physically accomplishing the**
16 **task, it doesn't confirm that the task will be**
17 **completed, it assumes that they will, right?**

18 **A The assumption is that ADP and their secure**
19 **project will complete the decommissioning to get the --**
20 **to ISFSI only interim end state condition in six years**
21 **for the assumed -- for the agreed amount. That's the**
22 **baseline assumptions in all of this.**

23 Now, what happens in the next -- you can pick
24 the number of years, six years, 30 years, who knows?
25 But that's -- so the study as to what you are asking me,

1 is it a guarantee, it's like my previous responses, it's
2 not.

3 Q Okay. And I --

4 A It is --

5 Q Okay. And I appreciate that. I am not trying
6 to trap you. I just want to make sure I understand what
7 the words mean. That's all I am trying to understand.

8 A Okay.

9 Q And Mr. Doss' study doesn't confirm,
10 guarantee, ensure or assure that Duke won't need to ask
11 the Commission to raise customer rates to finish the
12 job; isn't that right?

13 A That's right.

14 Q Okay. On page 16 -- actually, on page 17. I
15 apologize. Lines four and five, you -- you say that the
16 transaction locked in the cost to complete the project;
17 do you see that?

18 A Yes, sir.

19 Q Okay. So by locked in the cost, you are not
20 saying that it guaranteed that the project will be
21 completed for the agreed amount?

22 A What I am communicating with locks in the cost
23 is that it is a firm fixed price contract with no change
24 order process. That's what I am communicating in my
25 testimony.

1 Q Okay. Let's go back if we can to -- we can
2 put your testimony aside for now and go back to Exhibit
3 17C, please.

4 A Okay. I am there.

5 Q All right. And do you see the miscellaneous
6 box at the bottom?

7 A What page, sir?

8 Q 21.

9 A Yes, sir. I do see the miscellaneous box at
10 the bottom of that page.

11 Q Okay. Do you see the last paragraph that
12 starts with the word "during"?

13 A Yes, sir.

14 Q Would you read that to yourself and then tell
15 me if you can read it aloud?

16 A I think I can read that aloud. Yes, sir.

17 Q Okay. Would you do so please?

18 A Yes, sir.

19 ADP, the NRC licensee and DEF will perform
20 their obligations under the various -- various
21 agreements in compliance with all applicable laws and
22 permits, including the NRC license. During the
23 decommissioning, DEF shall have reasonable access to any
24 portions of the CR3 site controlled by the ADP NRC
25 licensee subject to the requirements of the NRC license,

1 and to ADP NRC licensee personnel for purposes of
2 monitoring the performance by ADP NRC licensee of its
3 obligations under the transaction document.

4 Q Is that how the DSA was -- was -- is that
5 accurate as far as the DSA?

6 A It is accurate. There is a lot more detail in
7 the DSA, but, yes, it's accurate.

8 Q And if we could go -- let's flip forward to
9 page 16. Just so we understand what you were reading
10 from, this was -- it says at the top, I think, "Crystal
11 River Unit 3 Decommissioning Key Terms," right?

12 A Yes, I see that table now. Yes, sir.

13 Q Okay. That's the head of the table that I
14 asked you to read the last part of, so that's the
15 context in -- in which this is. It's a summary of the
16 key terms for the TRC to use. You don't want them to
17 have to look at a 600-page document, right?

18 A Correct.

19 Q Okay. So is what you just read there,
20 especially the last paragraph, is that contained
21 somewhere in the DSA, is that described, that -- that --

22 A Which paragraph, sir?

23 Q The one that says: During the
24 decommissioning, DEF shall have reasonable access. And
25 then it says on and on: For the purposes of monitoring

1 **the performance by ADP; is that language from the DSA?**

2 A Yes, sir.

3 **Q Do you know where that is found in the DSA?**

4 A I -- I believe I can.

5 **Q Okay.**

6 A So it's in several places, but probably -- and
7 it's not the direct language, but it's in Article 7, it
8 talks about company access. In accordance with Section
9 8.6.3, company shall have access to the NRC license site
10 subject to the requirements of the NRC license,
11 contractor security obligations hereunder and company's
12 and contractor's safety plans for the purposes of
13 company's continued ownership and operation of the
14 excluded facility. And there are several other places.

15 So this is -- this is kind of a synopsis of
16 several of the rights that Duke Energy will continue to
17 have, and I will stop there and let you ask further
18 questions.

19 **Q Okay. Thank you.**

20 So what you just read there looks to me like
21 you have got the CREC, the whole complex there. And
22 this looks like -- well, the -- the two of you are going
23 to be kind of sharing the -- the site, and this talks
24 about the excluded facilities, which doesn't include the
25 CR3 facility specific boundaries, right?

1 A It's more complicated than that.

2 Q Okay. Well, let me -- let me ask you ask
3 you -- I am trying to understand about the phrase
4 "monitoring the performance of ADP." Where does that --
5 where does the authority to do that in the agreement
6 come from?

7 A I would have to look, but I have specific
8 rights to access, to tour and to meet, that is
9 reporting, 6.5, page 48. Section 6.12 of the DSA.

10 Q Okay. And that's on page 51 of the exhibit?

11 A I believe.

12 Q Okay. All right. So this corresponds to that
13 monitoring, the performance language that you just read
14 from 17C?

15 A It's here. It may in other places, but this
16 is primarily where Duke Energy, as owner, will continue
17 to have access. And that's -- that's -- that's
18 unnecessary -- (inaudible) -- for Duke Energy Florida.
19 It's actually going to be me personally.

20 This is really part of the validation on the
21 monthly invoices that we are only paying for work
22 completed. So we -- we have -- we -- we have to have
23 these rights, because where we can, we will visually
24 inspect as part of our validation for those monthly
25 invoices. Same with the right to talk to other people.

1 Back in the original, what you had me read out
2 loud, the reason it talks about the NRC and the reason
3 we wanted this in the agreement, is that ADP will be the
4 licensee. Well, the licensee is responsible for the
5 emergency plan. So that's why they have to have
6 control. And -- and it's actually still about
7 800 acres, and it encompasses the coal plant.

8 So as the NRC licensee, they have the ability
9 to control it. No different than I have that ability
10 today, even though there is coal facilities on there, I
11 have some responsibility if something was to happen to
12 control what's going on and who's on that property.
13 It's extremely unlikely.

14 But that's -- that's how it ties together.
15 Part of it is regulations, mostly around emergency
16 planning. That's the NRC language, but then this is
17 just down in the -- this is the -- how Duke Energy
18 Florida, on a monthly basis, will ensure we are only
19 paying for work completed.

20 **Q Okay. Thank you.**

21 **Let me get you to -- you have your testimony**
22 **in a paper form? I want you to go to TH-2, page five.**

23 A Page five. Page five of six, Mr. Rehwinkel?

24 **Q Five of 12. It's on page four of six of that**
25 **section, TH-2.**

1 A Okay. Yes, sir. I have a paper copy.

2 Q Okay. You so the 287 there in that --

3 A I do.

4 Q -- table?

5 That's a projected -- at the time in March of
6 last year, that was a projected 2038 reserve amount
7 balance, right?

8 A Yes.

9 Q Okay. Can I get you to look at page 12 of
10 17C? If you can keep your finger on this page five of
11 12 in yours.

12 A Thank you, Mike. All right, I have the --

13 Q Okay. The -- the -- I think I can read just
14 the -- the 3.2, just that title there. It says:
15 Project Costs & Reserves, right?

16 A Right.

17 Q But given that this is a confidential
18 document, can you tell me -- do you see the -- the 2038
19 balance there in that table?

20 A Yes, sir, I do.

21 Q Okay. Can you -- can you say that amount
22 aloud?

23 A It's approximately \$350 million.

24 Q Okay. This is the number that was shown to
25 the TRC, and assumedly the Board, is that right?

1 A This was a different study that was used in
2 support of this document that was presented to the TRC.

3 Q Okay.

4 A And it was -- it was a different study than
5 what was in my testimony.

6 Q Right. So I am just wondering, when the TRC
7 looked at this and approved it, or gave their
8 recommendation to the Board to approve it, they saw \$350
9 million being out there potentially for the customers'
10 benefit; and then when -- when this study was prepared,
11 the number was 287. Can you tell the Commission why
12 that customer benefit value went down that much?

13 A I don't recall the difference -- I don't
14 recall any detail of why the two different studies had
15 different outputs.

16 I can tell you that the members of this
17 committee, because, remember, the final agreement had
18 not been -- well, the agreement had not been finalized
19 during this parallel path of reviews by our executives.
20 We absolutely closed the loop with our executives and
21 our board that, here's what the numbers are. And we
22 have ongoing dialogue because one of the members of the
23 TRC is who ultimately I report to, and we provide him
24 weekly up -- well, biweekly updates on the status of
25 where we are, and we continue do that to this day and we

1 are in this approval process.

2 So from a communications standpoint, I think
3 it's well understood that these numbers are estimates,
4 and they are studies, and sometimes the inputs change,
5 which changes, the outputs, but from a transparency
6 standpoint with our executives and our board, we are
7 very transparent with them.

8 Q Okay. And just to be -- to emphasize your
9 point, if you go to page one of 17C, you look at the
10 very last sentence on page one, I think it says what you
11 just said to me.

12 A Let me look. Yes, sir.

13 Q Okay. And -- and I appreciate that. And --
14 and I was not trying to suggest that there was something
15 where the TRC and the Board were duped. I am just
16 trying to understand why the number would drop -- what's
17 that -- I can't do Matt on the fly, \$63 million?

18 A Yeah, I don't have any recollection of why the
19 difference. It's still a substantial amount of money
20 that we are forecasting that we will -- will that
21 portion to our customers, and right now, it would be in
22 2038.

23 Q Okay. One of the -- one of the reasons you
24 can see is there is -- there is the \$131 million number
25 embedded in this 350, right?

1 A I didn't look at that that closely.

2 Q Okay. So if you look on page -- back on page
3 12.

4 A I do see that number. Yes, sir.

5 Q Okay. So -- so the difference between 131,
6 which is baked into the 350, and 90 that's baked into
7 the 287, that would explain \$41 million of the
8 difference, right?

9 A Yes.

10 Q Okay. All right. Do you consider the ADP
11 proposal that's -- that's in the DSA, did you think of
12 that as a turnkey project?

13 A I do not, no.

14 Q Okay. Let me see if I can understand the --
15 the overall situation here, just sort of to wrap up my
16 cross of you here.

17 I think you have heard the testimony -- well,
18 I think you and Mr. Doss, we've -- we've -- we've
19 explored this, that there have been withdrawals from the
20 NDT to pay for costs of building and maintaining the
21 ISFSI?

22 A Yes, sir.

23 Q Okay. And those withdrawals were -- those
24 funds were valid withdrawals from the -- the fund,
25 right?

1 A Right.

2 Q Okay. Now, when Duke withdrew these funds --
3 and we looked, I think, on your exhibit -- on your late
4 filed exhibit, is 191, I want to say .7, .4 million
5 dollars of spent fuel management costs that were taken
6 out of the fund?

7 A Yes, sir.

8 Q And that would be between February of '13 and
9 May of '20, right?

10 A Right.

11 Q Okay. When those funds were taken out of the
12 nuclear decommissioning fund, there was no guarantee or
13 assurance that -- that you would be reimbursed for those
14 costs; is that right?

15 A Right.

16 Q There wasn't a promissory note left in the NDT
17 that required the spent fuel management funds to be
18 repaid, was there?

19 A No, sir, there is not.

20 Q In fact, the spent fuel management costs that
21 you have recovered, you had to sue the United States
22 Government to get them, right?

23 A We have to go through litigation process for
24 that. Other -- other plants and companies have reached
25 an agreement. So currently, we are -- Duke Energy

1 Florida is still -- we have to use the litigation
2 process, yes, sir.

3 Q All right. So when I say you, I meant Duke
4 Florida?

5 A Right.

6 Q Okay. And isn't it true that you did not
7 recover from the United States Government all the money
8 you sought from them, is that right?

9 A Well, the current litigation is not completed.
10 I think in my answer -- and I think we talked about this
11 yesterday, when we brought in our expert outside
12 counsel, who's does a lot of this litigation with the
13 Department of Energy, their initial review resulted in
14 us decreasing what we assume we will ultimately receive
15 reimbursement from the DOE whenever that happens, maybe
16 2022, but that's in -- that's in progress.

17 Q Okay. So let's put the 90 million, or the
18 131 million, let's put that aside. You have recovered
19 monies in the past from DOE, right?

20 A Yes, sir.

21 Q Okay. The -- those awards, those were not all
22 of the costs that you had initially sued for, isn't that
23 right?

24 A I don't -- I don't recall the details of
25 those -- the past litigation. I just don't recall.

1 Q Okay. Now, would it be fair to say that your
2 testimony before the Commission in this case is that you
3 disagree with any proposal by the intervenors to make a
4 single change to the proposal that you have presented to
5 the Commission?

6 A I am opposed to reopening this agreement to
7 renegotiate for the reasons I discussed earlier this
8 morning.

9 I think that we have very strong protections
10 and benefits for our customers, and especially in the
11 area of the costs and the risk transfer, I think that
12 the risk of those being unfavorable far outweigh the
13 recommendations to do that.

14 Now, with that said, certainly I am open to
15 discussion for the Commission's need. I would rather do
16 that without having to renegotiate the DSA. That's my
17 position.

18 Q Okay.

19 A I did not say no.

20 Q Okay.

21 A I just -- I should have made it clear, Mr.
22 Rehwinkel. I just gave you my opinion. I didn't say
23 no. I didn't flat out say no, but I just -- I think the
24 risk of losing some of the protections and benefits
25 outweighs the recommendation.

1 Q Okay. And -- and just so your answer is
2 clear, I asked you if you disagreed with any proposal,
3 so when you said, I didn't say no, you really should
4 have said, I didn't say yes, I disagree, it's just the
5 way you qualified it; is that right? I wasn't trying to
6 put --

7 A Well, I think they are unnecessary.

8 Q Okay.

9 A And to my point, you know, clearly I want this
10 transaction approved. I want it -- I just think the
11 risk of renegotiating outweighs any potential benefit
12 from the recommendation.

13 So my position is we should not open this up
14 for re -- renegotiation and that, clearly, whatever
15 information the Commission and its staff needs from
16 Duke Energy Florida, absolutely, I am open to discuss
17 that, and -- and we will supply information that Duke
18 Energy gets for the next six years, we will absolutely
19 make that available to the Commission and the Commission
20 staff. That's my -- that would be my preference.

21 Q Is -- is it your opinion that -- that you have
22 reasonably considered all risks and have put them -- in
23 place adequate measures to mitigate them?

24 A Yes, sir, it is.

25 Q And some of the measures that you have put in

1 place in the deal are the fixed price contract as
2 defined in the agreed amount definition, right?

3 A Right.

4 Q The spent fuel management risks are unloaded
5 on to ADP, is that right?

6 A Right, and that's forever. Once we close, no
7 money will ever come out of our trust fund for spent
8 fuel management costs until whenever and wherever it
9 goes. Currently we say 2038, but as we discussed
10 yesterday, as you discussed with Mr. State, that may not
11 be the right date, but that's a significant risk
12 transfer away from our customers.

13 Q Okay. Now, just to be clear, there is, like,
14 a-million-nine, \$2 million a year that comes out of the
15 owner's costs to -- related to that, is there not --
16 that fuel -- that ISFSI site having waste on it; is that
17 right?

18 A That, I think, is approximately 1.9 million
19 per year after 20 -- I don't have the numbers, but that
20 is the owner's, that has nothing to do with ISFSI for
21 spent fuel management.

22 Q But isn't it a function of the fuel staying on
23 site?

24 A It's a function of the fact the license can't
25 be -- the NRC license can't be terminated. So as

1 owners, we -- we still own the property. So we still
2 will have a -- we still have obligations until that
3 happens. So, I mean, an example is property taxes.
4 That's an owners cost. We own the property. So those
5 are the approximate costs that's in that approximately
6 \$1.9 million a year.

7 Q Okay.

8 A That's a Duke Energy obligation.

9 Q I wasn't suggesting they were spent fuel
10 management costs, but they are just costs that you can't
11 get rid of until the fuel is gone, is that right?

12 A Yes, sir.

13 Q I say the fuel. It's the spent fuel and the
14 GC -- GWTCC, right?

15 A Greater than Class C waste, GTCC.

16 Q Okay. All right. So anyway, going back to
17 the protections that you have put in to mitigate the
18 risks, you got performance bonds, right?

19 A Right.

20 Q You have got a provisional trust, right?

21 A Right.

22 Q You got the six percent retainage that -- that
23 interacts with funding the provisional trust, right?

24 A Right.

25 Q You have got step-in rights if something goes

1 bad, right?

2 A Correct.

3 Q There is a letter of credit for milestone
4 slippage is what I will call it, that's milestone one,
5 right?

6 A Right.

7 Q There is a parent guarantee, right?

8 A Right.

9 Q There is the NRC technical and financial
10 review that approves the license transfer, right?

11 A Yes.

12 Q There is the Duke internal TRC risk review
13 process that we just talked about, right?

14 A Right.

15 Q There is the parental support agreement that
16 you -- that the NRC has, right?

17 A Right.

18 Q There is a 12-and-a-half percent contingency
19 built into the project costs, right?

20 A Yes.

21 Q Are there any other --

22 A That's on average --

23 Q Yeah.

24 A -- that's an average over all of the line
25 items. Clearly the higher risk ones have a higher

1 contingency, and the same, the lower risk items would
2 have a lower contingency, but the average is about
3 12-and-a-half, based on our technical review of their
4 proposal.

5 Q Okay. So just to be clear, in your exhibit --
6 well, in Exhibit 29, your late filed Deposition Exhibit
7 5, it says: Estimated uncertainty/risk contingency is
8 approximately 12-and-a-half percent?

9 A Right.

10 Q Okay. Are there any other significant
11 protections that I have left out of my long list?

12 A Yes, sir. I think there is -- two come to
13 mind, there may be more, but there is no change order
14 process. That's why it is the -- the fixed price. And
15 it's very significant on this monthly invoicing, we only
16 pay for work completed.

17 So that work will never have to be reported.
18 So as the -- the subaccount that pays for the
19 decommissioning that's coming down month over month, but
20 we are getting real benefit. That work is done. And
21 then there is protections in here in the event of
22 default that if, whatever scenario you could come up
23 with, that's still in Duke Energy's trust. So we -- not
24 only would we have the reserve account, we would now
25 have what's left in that account, but the only work we

1 have paid for -- I mean, we have only paid for work
2 that's finished, and Duke Energy also takes the
3 provisional trust.

4 So there is -- those are some others, in my
5 mind, how this -- how together this is great protection
6 and benefit for our customers.

7 Q Okay. So with all that -- go ahead.

8 A There is also additional insurance. That was
9 the other thing. As we looked, we wanted to make sure
10 there was plenty of insurance if -- if something was
11 discovered, that there is a way to fund it without it
12 coming from the trust fund. That's the other one I
13 think I should highlight.

14 Q Okay. And I -- by my questions, I was not
15 intending to say put it all out on the table, or you
16 haven't described it. It's all in the DSA. It's in the
17 testimony. I just wanted to make sure I went through a
18 laundry list of significant protections that you think
19 mitigate risks, and --

20 A Yes, sir.

21 Q Okay. So those are the high points.

22 So my question after all of that, is after --
23 after all the of that, you expect to have somewhat close
24 to \$300 million left waiting for the customers when that
25 fuel is removed from the site, right?

1 A It's in that ballpark. Yes, sir.

2 Q Okay.

3 A And it's customers and shareholders.

4 Q Yes. Because -- yeah. And when I say
5 customers, the shareholders stand in the shoes of the
6 customers, those wholesale customers/owners who paid
7 into the fund, along with all the other little moderate
8 and big size customers, right?

9 A Right.

10 Q Okay. You would agree with me that the
11 requirements of the NRC that were indicated in the
12 Commission order that established the -- this trust fund
13 in 1989 -- and I mean the specific trust fund
14 mechanism -- is that pursuant to 10 CFR 5075, the
15 licensee must demonstrate reasonable financial assurance
16 that the funds will be available for decommissioning,
17 does that sound right to you?

18 A Yes, it does.

19 Q Okay. Would you also agree that ADP, who --
20 assuming the transaction closes, will become the
21 licensee, right?

22 A Right.

23 Q They have provided that reasonable assurance
24 with respect to the \$540 million subaccount, and not
25 with any need to reference the reserve account and any

1 DOE -- DOE recovery that Duke may receive in the future;
2 is that right?

3 A I don't know that that's right. I think the
4 NRC requires full fund balance to be reported. So that
5 would be both the decommissioning subaccount and the
6 reserve subaccount contractually. We don't intend ever
7 to have money come out, but I would need to go back and
8 review the NRC's order. I don't have it with me. But
9 I -- I recall in the financial analysis of the safety
10 evaluation report that accompanied that order, there
11 was, in fact, discussions about DOE recovery from the
12 spent fuel management costs.

13 Q Well, didn't --

14 A I hadn't read that --

15 Q Okay. Do you have, I think it's Exhibit 13
16 with you?

17 A Yes, I do.

18 Q Okay. And do you -- are you familiar with
19 this document?

20 A I have read this document.

21 Q Okay. This was -- I had already put this one
22 away. This was submitted by ADP. This is the
23 application for the license transfer, right?

24 A I think it's titled Notification of Revised
25 Post-Shutdown Decommissioning Activities. It was -- it

1 accompanied through the license transfer application.
2 It's a separate document.

3 Q Okay. But isn't -- doesn't this document
4 provide the -- isn't it this document -- well, if we --
5 if you go and look at pages 23 and 24. We've talked
6 about these two tables as we've gone forward through
7 this hearing.

8 ADP is -- is only presenting to the NRC the --
9 the -- their costs to spend using the \$540 million and
10 the -- the recoveries -- well, their -- their
11 \$285 million of costs related to the spent fuel
12 management, right?

13 A I don't think -- I don't know exactly. I go
14 back to your earlier question.

15 This is ADP's annual cost profile. I think
16 the NRC financial analysts had additional information,
17 and I just don't recall. I would have to go back and
18 read the safety evaluation reports that accompanied
19 their order approving the license transfer on April 1st
20 of this year. It -- it may have used the full fund. I
21 just don't recall.

22 Q Okay. But ADP can't get give the NRC
23 assurances about the reserve account because they have
24 no rights to access that, right?

25 A They certainly cannot access that money.

1 I'm -- I am suggesting I don't recall, but I --
2 typically we would report full fund balance. And it
3 doesn't mean they can use them, but that's -- it may be
4 and I just don't recall, Mr. Rehwinkel, but it may be
5 that -- this was an input to the NRC financial analyst.
6 They had a lot of other information in that huge
7 submittal.

8 So I -- I would -- I know that the order was
9 accompanied by, I think it was always 30 pages of very
10 detailed of how this -- how the NRC staff concluded that
11 ADP met the technical and financial responsibilities to
12 become the licensee. There was a lot of detail in that
13 document, and I just don't recall that level of detail.

14 **Q Okay. Do you know whether the DOE recoveries**
15 **are required to be deposited into the nuclear**
16 **decommissioning trust fund?**

17 **A** The money that came from the trust fund that
18 has been recovered through litigation will go back to
19 the trust fund. Yes, sir.

20 **Q I know I have seen documents that said that it**
21 **will go back there, but are -- my question to you is is**
22 **it required by law to go back there?**

23 **A** I would -- I would have to rely upon my Duke
24 Energy legal team. I assure you it will go back there
25 because I know it has in the past. I don't know what

1 the law suggests. But certainly, we have a very fine
2 legal team within Duke that would give us the right
3 direction.

4 Q Okay. All right. Mr. Hobbs, I appreciate
5 your patience with me today and your -- your answering
6 all my questions, and those are all I have for you at
7 this time.

8 MR. REHWINKEL: Mr. Chairman, I am -- I am
9 complete with Mr. Hobbs --

10 CHAIRMAN CLARK: Thank you --

11 MR. REHWINKEL: -- thank you.

12 CHAIRMAN CLARK: Thank you, Mr. Rehwinkel.
13 Mr. Brew, your witness.

14 MR. BREW: Yes, thank you.

15 EXAMINATION

16 BY MR. BREW:

17 Q Mr. Hobbs, good morning. Can you hear me
18 okay?

19 A I certainly can, and good morning.

20 Q Good morning.

21 Let's see, where to start. At closing, a lot
22 of documents will be signed, but am I right that two
23 basic financial things happen. The first is that Duke
24 moves the 540 million into the IOI subaccount; is that
25 right?

1 A Yes, sir. That's one of the actions.

2 Q Okay. And the second is that ADP pays you
3 \$1,000 for the spent fuel and ISFSI?

4 A Yes, sir.

5 Q Okay.

6 A Yes, sir.

7 Q Okay. And just to follow up on this, that
8 purchase and sale agreement, you mentioned a moment ago
9 that it was forever. I just want to make clear that the
10 purchase and sale agreement of the spent fuel high level
11 waste, the greater than Class C waste, is a complete and
12 unconditional sale, right?

13 A Right.

14 Q And regardless of what may or may not go well
15 or poorly on the decommissioning and dismantlement, the
16 solid nuclear fuel cannot revert back to Duke, is that
17 right?

18 A Right.

19 Q And that following the closing, forever there
20 will be zero Duke spent fuel management cost, is that
21 right?

22 A Yes, that's right.

23 Q And so if we go to your Exhibit TH-2, the
24 table on page nine of 12, when you have a chance.

25 A Okay.

1 Q Okay. And that -- that illustrates that exact
2 point. It shows you having roughly \$14 million in spent
3 fuel management costs in 2019 and 2020, and then it's
4 zeroed out from there, is that right?

5 A Yes, that's right.

6 Q And it zeroed out precisely because of how the
7 transaction works?

8 A Yes, sir.

9 Q Okay. If you still have that exhibit, if you
10 could back up to page five of 12, the same page that Mr.
11 Rehwinkel had you at a few minutes ago.

12 A Yes, sir, I am there.

13 Q Okay. And under the heading spent fuel
14 management costs, do you see that?

15 A I do see that.

16 Q Okay. And there is the second full paragraph,
17 in the middle of the paragraph reads: Any spent fuel
18 management costs prior to closing are the responsibility
19 of DEF; all post-closing spent fuel management costs
20 will be the responsibility of ADP and are not included
21 in the fixed price decommissioning contract. Do you see
22 that?

23 A I do.

24 Q Okay. So the latter statement regarding ADP
25 was meant to make perfectly clear that none of these

1 spent fuel management costs are included in the
2 540 million?

3 A That's correct.

4 Q And that there is no other vehicle for ADP to
5 seek recovery of those costs from Duke, is that right?

6 A That's right.

7 Q And that they could also be amended to say
8 that and those costs have been deleted from future Duke
9 decommissioning costs, right?

10 A I am not -- I am not sure how to respond to
11 that.

12 I think, you know, we showed Duke's costs out
13 through 2030 in these documents, and it clearly
14 demonstrates there is no spent fuel management costs.

15 Q Got it. Okay.

16 A I am trying to -- (inaudible) --

17 Q That's -- that's fine.

18 So -- so after closing, the one column of
19 costs to go out of the reserves are Duke owner's costs,
20 do you see that? Back on page nine of 12 again.

21 A Yes, sir, I see that.

22 Q And that's about two million a year until the
23 decommissioning and dismantling is done in 2027, and
24 then it drops by about one-third, right?

25 A Yes.

1 Q Okay. And then you just do the escalators
2 from there.

3 Would -- would you say that those owner's
4 costs are well understood and predictable?

5 A Yes, I would.

6 Q Okay. You mentioned a few minutes ago as an
7 example of the property taxes was something that would
8 stay with Duke for the ISFSI because you still own the
9 property, right?

10 A Right.

11 Q And if there is a environmental spill, a
12 radioactive spill or lead paint falls on that property
13 in the ISFSI, cleaning that up is ADP's responsibility,
14 not Duke's?

15 A Correct.

16 Q Okay. When we get to 2022, the reserve
17 balance that's shown on page nine of 12 goes up 90
18 million, assuming recovery of both of the outstanding
19 claims that Duke has against the Department of Energy,
20 right?

21 A Yes, sir.

22 Q And you had explained yesterday, and we talked
23 a little bit about this morning, that the 90 million is
24 an incomplete claim because it does not catch you up to
25 the time of closing; is that right?

1 A That's right.

2 Q Okay. And Mr. Rehwinkel went with you through
3 the TRC report where the -- the estimate provided to the
4 board was that that expected recovery was more in the
5 range of 131 million; is that right?

6 A Yes.

7 Q Okay. So -- so would it be fair to say that
8 the \$90 million a -- is not a full statement of the
9 expected recoveries because it doesn't include the
10 period up to and including 2019 and the -- the time of
11 closing in 2020?

12 A I am not sure of the exact cutoff date in the
13 current litigation, but I -- I -- I do believe that
14 there are some of our spent fuel management -- Duke
15 Energy's spent fuel management costs in 2019, and then
16 the costs I am incurring this year through the closing
17 date. I don't have an estimate of what that -- that is
18 the timeframe.

19 Q Okay. So if I refer back to my table, nine of
20 12 in TH-2, you show spent fuel management costs in 2019
21 and '20 somewhere around \$14 million?

22 A Yes, sir.

23 Q And so those costs for sure should be
24 reflected in an ongoing claim, or a future claim?

25 A That would be my assumption. I wouldn't say

1 for sure, but I am not directly involved with that. But
2 I -- I think that we certainly contractually are -- are
3 entitled to seek reimbursement for all of the money Duke
4 Energy has spent on spent fuel management through the
5 closing date.

6 Q Got it. Fair enough.

7 This may be jumping around a bit, but could
8 you go to page 15 of your direct testimony?

9 A I am there, sir.

10 Q All right. And so if we go down to the bottom
11 two lines, lines 22 and 23, you are talking about the
12 decommissioning study that we were just referencing.
13 And the testimony states: The study assumes that the
14 decommissioning project is completed in 2038. Do you
15 see that?

16 A Yes, sir, I do.

17 Q And that 2038 date is an assumption that by
18 that time, DOE will have established a federal
19 repository at Yucca Mountain and begun accepting waste?

20 A Not quiet. It's assumed on -- that the DOE
21 will -- either a repository or interim storage facility,
22 such that Mr. State talked about yesterday, that one of
23 those two would be available, and that the -- the plants
24 that are ISFSI only, which there is about a dozen around
25 our country, that they would be the first few, and that

1 Crystal River fuel would start leaving and the greater
2 ISFSI waste in 2037, and then, yeah, we would finish the
3 project, which would be the demolition of the ISFSI once
4 the fuel and waste is gone, do the final site survey,
5 submit that to the NRC for review, and that the license
6 would terminate in 2038. Those are the assumptions in
7 that data.

8 MR. BREW: Mr. Chairman, I need a minute. I
9 just -- I just -- my computer just crashed. If you
10 will give me a minute just to reboot.

11 CHAIRMAN CLARK: Okay. Why don't we take a --
12 a five-minute break here? I think this is a good
13 spot. Give everybody a chance to stretch their
14 legs just a minute. We will resume in five
15 minutes.

16 (Brief recess.)

17 CHAIRMAN CLARK: Okay. We are going to go
18 ahead and get started back. I know we have got a
19 couple of folks that haven't made it yet, but they
20 should be joining us pretty shortly, so, Mr. Brew,
21 you may continue.

22 MR. BREW: Thank you.

23 BY MR. BREW:

24 Q Mr. Hobbs, could I refer you to Exhibit 17C
25 that you discussed with Mr. Rehwinkel a few moments ago?

1 A Yes, sir. I have it in front of me.

2 Q And could you refer to page six? And this is
3 confidential, but I don't think what I am asking about
4 will touch on anything confidential.

5 Do you see the table labeled Key Project
6 Activities/Milestones?

7 A Yes, sir, I do.

8 Q And the line for spent fuel picked up by DOE?

9 A Yes, sir.

10 Q And there is an asterisk next to that finish
11 date, do you see that?

12 A I do, yes.

13 Q Okay. Do you see what the footnote says?

14 A I do.

15 Q Can you read that if counsel is okay with
16 that?

17 A Dianne, are you okay with that?

18 MS. TRIPLETT: I'm sorry, what?

19 THE WITNESS: The footnote.

20 MS. TRIPLETT: Yes, I am fine.

21 THE WITNESS: No not that, just the footnote.

22 MS. TRIPLETT: Yes, it's fine. It's fine.

23 THE WITNESS: I think I can read that.

24 BY MR. BREW:

25 Q Thank you. Would you, please?

1 A It's a footnote that says: Department of
2 Energy pickup of spent fuel estimated in 2037 congruent
3 with industry expectations for permanent storage
4 facility approval, i.e., Yucca Mountain.

5 Q Okay. Do you -- do you have any information
6 as to the current status of the licensing siting and
7 approval of the Yucca Mountain as a permanent
8 repository?

9 A Only what I read in the newspapers, that
10 pretty much it looks to me like it's stalled. I -- over
11 the years, I have seen the NRC has -- has -- has some
12 additional licensing work earlier, but that's about the
13 extent of my knowledge on Yucca Mountain.

14 Q Okay. So on the -- the timeline chart below
15 that table, you see the dots on the timeline?

16 A I do see the dots on the time -- timeline,
17 yes.

18 Q And that -- that's leading towards spent fuel
19 management final license termination, do you see that?
20 Isn't it -- isn't it correct -- I am sorry.

21 A I am sorry, go ahead.

22 Q Okay. That timeline could go on indefinitely
23 if the federal government does not establish a high
24 level waste repository, isn't that right?

25 A As I said earlier, I -- I think now the

1 interim storage, the two sites that Mr. State talked
2 about, I think they are -- both of those projects have
3 applications with the NRC. They are in the process of
4 reviewing it, and I think the two vendors that Mr. State
5 talked about, if they are licensed, I believe that they
6 would -- would work with DOE and try to make that at
7 least an interim facility to -- to move fuel off of
8 these sites, especially the ISFSI only sites.

9 And -- and given that I know they are in
10 review and the -- (inaudible) -- you know, they -- they
11 could build those facilities this decade. I -- I still
12 think that our estimate of 2037 is the best estimate
13 that we have.

14 Q Okay. But you don't have -- you don't have
15 any information on what the NRC will do and what the
16 respective states will do with respect to those proposed
17 sites, do you?

18 A I do not.

19 Q Okay. Do you have any information on
20 potential issues regarding the transports of high level
21 waste between, say, Florida and Texas might be?

22 A I have limited information. I know that this
23 topic of transportation and storing -- storing fuel has
24 whittled for decades. There are probably three meetings
25 a year, either here in the United States or around the

1 world, where a lot of people from NRC, and industry, and
2 the Department of Transportation, and the Department of
3 Energy, and they talk about all these things. And, you
4 know, that they believe that they've made incremental
5 progress.

6 I have actually attended a couple of those in
7 the last few years. I have find them very interesting.
8 I learn things, but I do know that there is a push
9 between the industry, NRC, Department of Transportation
10 and Department of Energy that they realize there is a
11 need to -- to -- to develop a capability to move fuel
12 from, especially these ISFSI sites, like I said, I think
13 there is about a dozen of them, which Crystal River will
14 be one of them in probably 2030 -- 2027.

15 So I -- I may continue to attend those.
16 Certainly, other members of our larger Duke team stays
17 plugged in. In fact, that's where the estimate -- this
18 2037 estimate, seven years ago, it was 2036 because we
19 had to come up with that estimate back in 2013 when we
20 first got into decommissioning to put together our cost
21 study, and that was based on our Duke Energy folks. So
22 at the time, I had not visited that. We had people
23 within Duke Energy that had. So, you know, this is
24 something -- this is something that Duke Energy and all
25 the other nuclear utilities follow year-over-year.

1 Q So to get back to my -- my point. The
2 transportation of high level waste is acknowledged to be
3 a serious issue for which specific solutions have yet to
4 be developed; is that right?

5 A I don't think that's right. I tell you, I
6 worked for one of the predecessor companies in North
7 Carolina, and we shipped fuel, used fuel in licensed
8 authorized shipping containers and transport containers
9 for a dozen years. We would move fuel from our
10 Brunswick plant in eastern North Carolina to our Harris
11 plant that's north of there, and we would also alternate
12 year-over-year, we would move fuel.

13 So we absolutely here in the United States
14 have a very save track record of transporting used
15 nuclear fuel on the railroads of this country.

16 Q Transporting used nuclear fuel multistate
17 possibly through highly populated areas?

18 A I -- I don't know what the routes would be --
19 would be chosen. I am just telling you that we have
20 moved fuel in this country before. And separate from
21 our commercial industry, Department of Defense, they
22 routinely move used fuel when they decommissioning, for
23 instance, a reactor on an aircraft carrier or a
24 submarine, a lot of those are stationed on the east
25 coast, that work will be done on a shipyard on the east

1 coast, and that is all transferred out west to different
2 DOE sites.

3 So I agree with you, it's a problem that has
4 to be solved. I just -- I -- my view is it's solvable
5 based on what we have done in this country and what --
6 what the DO -- Department of Defense does.

7 Q Okay. Are you familiar with the parental
8 support agreement that's appended to the -- the
9 decommissioning services agreement?

10 A Yes, sir, I am.

11 Q I believe it would be in Exhibit H. Am I
12 correct that --

13 A You said H?

14 Q H, as in Hector.

15 A Okay.

16 Q Duke is not an equitable party to that
17 agreement, right? It's between NorthStar and the ADP
18 affiliates? Or NorthStar is one and then Orano is the
19 other, but yes, with them -- between them and the ADP
20 affiliates; is that right?

21 A Don't know that that's right. I will need to
22 look.

23 Q Okay. Take your time.

24 MR. HERNANDEZ: Is there a page number there?

25 MR. BREW: Look at the signature page to H1

1 and H2.

2 MS. TRIPLETT: Mr. Brew, we are trying to find
3 the exhibit -- exhibit page in the upper
4 right-hand. Do you happen to have that?

5 MR. BREW: I think if you go to, was it 226 of
6 597?

7 MS. TRIPLETT: And I think it's Exhibit 6,
8 Charlie. You got it? Thank you.

9 MR. BREW: Yeah, Exhibit 6, yeah.

10 MS. BROWNLESS: Jay, up in the upper
11 right-hand corner of the DSA, what does it say?

12 MR. BREW: It should be, I think, 226 of 597.

13 MS. BROWNLESS: Thank you.

14 THE WITNESS: So as I read this, it -- it does
15 look like it is between -- there is two different
16 agreements, one for NorthStar Group Services, one
17 for Orano USA, and it is between those two
18 companies and ADP.

19 BY MR. BREW:

20 **Q Okay. Thank you.**

21 **So am I correct that Duke has no enforcement**
22 **ability on that agreement whatsoever, since it's not a**
23 **party?**

24 A I -- I -- I am not certain, but I do not see
25 Duke Energy Florida listed anywhere in this agreement.

1 Q Okay. Thanks.

2 I am referring back to your direct testimony.

3 A All right, sir. I have it.

4 Q Okay. Let's go to page 11.

5 A I am there.

6 Q On line six -- lines five and six, it says:

7 If the expanded scope of work is significant enough to
8 stress available funding, then a decision could be made
9 to return to a safe store condition. Do you see that?

10 A Yes, sir, I do.

11 Q Okay. Who makes that decision?

12 A It would be --

13 Q Is that a decision that ADP -- go ahead.

14 A It would be a decision by ADP and Duke Energy.
15 ADP does not have the ability to return the unit to safe
16 store. We have protections in the DSA to prevent that.
17 Specifically, we have a manager named to the Board with
18 FEECA rights, and this is one of the specific
19 protections built into the DSA. They cannot make a
20 decision to return to safe store without Duke Energy's
21 consent.

22 Q Okay. So if ADP is experiencing significant
23 cost overruns and came back to Duke and said, I think we
24 should go back to safe store, they would need your
25 consensus on that, right?

1 A Yes, that's right.

2 Q If it goes back to safe store, the -- the
3 contract with ADP stays in place, right?

4 A Yes, sir, unless there is a -- (inaudible) --
5 cost.

6 Q Okay. And the cost of returning to safe
7 store, is that on Duke's time or ADP's? Who pays for
8 it?

9 A That level of detail is not in the agreement.
10 That would be a part of the decision-making that would
11 occur in the unlikely event this was necessary.

12 Q So that's not within the scope of work for the
13 DSA agreement with ADP?

14 A I do not recall us putting physically and
15 commercially how that would work. We put the
16 protections in because we -- we want the protection that
17 that's a viable option, if necessary. I do not believe
18 we specified that level of detail in the DSA.

19 Q Okay. Thank you.

20 Thank you, Mr. Hobbs. That's all I have.

21 A You are welcome, sir.

22 CHAIRMAN CLARK: Thank you, Mr. Brew.

23 Mr. Moyle.

24 MR. MOYLE: Thank you. Thank you, Mr.

25 Chairman.

1 EXAMINATION

2 BY MR. MOYLE:

3 Q Mr. Hobbs, good -- good morning to you.

4 A Thank you. Good morning.

5 Q I am going to -- I am going to try to plow
6 through some things at a pretty good pace, and I am
7 going to do that by asking some leading questions, and
8 it would help if you could answer yes or no as -- as
9 there has been some reference to that previously. If
10 there is something you disagree with, your -- your
11 counsel is quite capable and can focus that on any kind
12 of redirect. If you absolutely feel you have to
13 explain, you know, then -- then I guess we could do
14 that. But that's -- that's, kind of going in, how I
15 would like to do this. Are you okay with that?

16 A That would depend upon the question.

17 Q Well, let's start with this. On page two of
18 your testimony, you state that your testimony includes
19 background on the CR3 facility. And I -- I, in my
20 opening statement, gave a brief history of the CR3
21 facility, but my opening statement is not evidence in
22 the record, so I just want to get a couple of facts from
23 you in the record that you are familiar the CR3 building
24 had a lot of problems with it, did it not, the
25 containment building?

1 A Yes.

2 Q Yeah. And one of the problems was is that
3 when they put the generator in originally, they thought
4 that would be there for the life of the facility, and
5 then they decided to extend the life of the facility,
6 put a new generator in, and the access hatch was not big
7 enough to put the new generator in, correct?

8 A No --

9 MR. TAYLOR: Mr. Chair --

10 THE WITNESS: -- that's correct.

11 MS. TRIPLETT: And, Mr. Chair, I am -- before
12 their Hobbs answers, I am going to object to this
13 line of questioning. It's irrelevant to the issues
14 at hand before the Commission.

15 CHAIRMAN CLARK: Objection overruled. I think
16 there is relevance here.

17 BY MR. MOYLE:

18 Q Can you answer, please?

19 A What you said is not correct.

20 Q Okay. So -- so the generator -- didn't they
21 cut a hole above the access hole, a new hole to put the
22 generator in that way?

23 A Yes.

24 Q Okay. And when they cut that new hole, then
25 the rod -- the rods got -- the cables, the tensioning

1 cable -- cables started having problems, and the
2 building had spawling and chipping of the concrete on
3 the containment, right?

4 A I don't that it had anything to do with rods,
5 so I would say no. There was a very exhaust of root
6 cause analysis and I --

7 Q Existing cable.

8 A I don't -- no, I don't think that's right. I
9 don't think that's what happened. I don't think --
10 there was a root cause that I am just not familiar with,
11 sir, and so I don't --

12 Q You are the --

13 A I am not that manager --

14 Q When you came in, did you ask people to say,
15 hey, can you tell me the history of this -- of this
16 power plant and why, you know, what happened to it?

17 A I said yes to your question, there was damage.
18 What I am not agreeing to is what may have been a cause
19 or contributor. There is a very detailed root cause
20 analysis performed, and I am just not familiar with it
21 today.

22 Q Okay. And -- and after that damage, there
23 were engineers that got together, they tried to fix it,
24 and ultimately it never got fixed, correct?

25 A That's correct.

1 Q It never got fixed to a point where the plant
2 was operational?

3 A Yes, that's correct.

4 Q Okay. And while the plant was down, there
5 was -- engineers came up with an uprate project where
6 they were designing to get the increased megawatts out
7 of the plant, and that -- that never became operational
8 either, correct?

9 A Correct.

10 Q Okay. Let's move on from there, and -- and I
11 want to talk a little bit about -- about the reports
12 that you are going to get from ADP. You are going to
13 get a lot of information from ADP, are you not?

14 A Yes, sir.

15 Q And those will include monthly reports being
16 provided to you?

17 A Yes, sir.

18 Q And you are going to have quarterly meetings
19 and quarterly reports?

20 A I don't think there is quarterly reports. I
21 think, if you read that -- and I am trying to turn to
22 it -- I think there is quarterly meetings specified in
23 that attachment.

24 Q Okay. And you also have plans to hire an
25 independent consulting firm to independently --

1 **independently assess ADP's project performance, correct?**

2 A No, sir. I do -- do not plan to hire an
3 independent consultant. I may sometime in the future,
4 somewhere in the six-year project, but, no, not at --
5 not now.

6 MR. MOYLE: Okay. Dianne, could you -- could
7 you show him staff exhibit, I think it's 1, but
8 it's numbered 00011 is the -- the number at the
9 bottom.

10 MS. TRIPLETT: Just a moment. Let me see if
11 we have it.

12 BY MR. MOYLE:

13 Q **It's question 16. The question is: Please**
14 **describe in detail the extent to which DEF intends to**
15 **maintain an oversight role over ADP during its work on**
16 **the CR3 decommissioning project.**

17 A I now have that in front of me.

18 Q **Okay. The third -- the third paragraph in**
19 **there?**

20 MS. HELTON: Mr. Chairman, there is no staff
21 Exhibit 1. Is he -- does he mean Bates stamp page
22 number one, which would be on what's been
23 identified as Exhibit No. 20?

24 MR. MOYLE: I think that's right.

25 BY MR. MOYLE:

1 Q It's -- it's -- it's 00011 is the number at
2 the bottom. Do you have it -- do you have it in front
3 of you, Mr. Hobbs?

4 A Yes, sir, I do.

5 Q Could you read the third paragraph, please?

6 A I can. DEF plans also to contract with an
7 independent consulting firm to independently assess
8 ADP's project performance and invoice process on a
9 periodic basis.

10 That's the key to that whole sentence, a
11 periodic basis. And currently, DEF as no plans to do
12 this. We do have the right to do that at any point
13 during this six-year project.

14 Q Yeah, but this was a staff discovery response.
15 You answered it, did you not?

16 A Yes, sir, I did.

17 Q Yeah. And -- and so when you were referencing
18 the plans to contract with an independent consulting
19 firm to independently assess ADP's project performance,
20 that portion, is -- are you still planning on doing? Or
21 that or I guess you are not based on the answer you just
22 gave me, right?

23 A It says on a periodic basis. So, no, there is
24 no current plans. However, during the six years, if I
25 determine that I would like an independent look at some

1 aspect of project performance, I certainly have the
2 ability to go and -- and bring in an assessor.

3 Q Okay. And with respect to -- in processing
4 invoices, are you going to get some independent help on
5 that?

6 A We have been putting that process in place for
7 quite some time. I personally won't be doing that. So,
8 no, I don't intent to -- I don't currently need any help
9 with that. But, again, you know, as we go through the
10 six years, I certainly have the ability and the
11 capability of bringing in someone to give me a fresh
12 look.

13 Q Yeah. And isn't it true, part of the reason
14 you hired ADP is because they have experience in nuclear
15 decommissioning and -- and you do -- you do not?

16 A That's true.

17 Q If you could answer yes/no, that would be
18 great.

19 A Yes.

20 Q Okay. And -- and with respect to processing
21 invoices, you are familiar, there is -- there is a scope
22 of work document, it's confidential, I think, but it
23 has, you know, hundreds and hundreds, nearly a thousand
24 separate task items, does it not?

25 A Yes. I would say hundreds. I wouldn't say

1 thousands.

2 Q Okay. I am sorry. I am sorry. I thought --
3 I was trying to say nearly a thousand. 800 give or
4 take. It's in the record so let's move on.

5 So with -- with respect to that, you are going
6 to be the one looking at -- at what they submit and
7 making judgments about, okay, you know, should we
8 release the monies on -- on this without -- without
9 getting any expert help on that?

10 A It will be me and at least one other manager
11 who reports to me. We are very experienced in this type
12 of work. We -- we process invoices every week.

13 To give you an example, my colleague has been
14 at the Crystal River site over 35 years. He is
15 extremely knowledgeable about that plant. So I -- I
16 anticipate us doing a great job on this monthly
17 invoicing to ensure we only pay for work that's
18 complete.

19 Q Yeah. No, I guess my point is, is that given
20 that -- you know, to do analogy of a construct project
21 and a house, they have schedule of values. I am a home
22 owner, you know, banks typically have somebody, a
23 construction person that will look at it and they will
24 know what the invoice is looking like. If I don't have
25 any experience in it, I am not good at -- at paying them

1 and might overpay them and they get out ahead of me.
2 And I am just raising that. It seems to me that may be
3 a similar concern, given the lack of experience that --
4 that you have related to nuclear decommissioning of --
5 of radiological matters.

6 A I don't. I think that's a misguided view. I
7 certainly have tremendous capability of power plant
8 construction. So if I get an invoice that says I
9 shipped two shipments to Texas this month, I will say, I
10 would like to see the shipping packages, and I would
11 like to see in that package where they were received.

12 They tell me they removed a large motor. I
13 will put my hardhat and boots on and I will go, because
14 I know the motors and the pumps and parts. I -- I have
15 high confidence that we have the skill sets to do that.

16 Q The -- the reports that are provided to you by
17 ADP --

18 A Yes, sir.

19 Q -- is it your position or Duke's position that
20 they don't want to share any of that information with
21 the Public Service Commission?

22 A ADP will not share that information with Duke
23 Energy. That is their proprietary information, and
24 that's why earlier this morning I made it clear that
25 Duke Energy Florida wants to be transparent with the

1 Commission and the staff, and we are -- we will supply
2 information that the staff needs and the Commission
3 needs, but we will only share the information we have;
4 and currently, ADP does not intend to share their
5 proprietary information with Duke Energy Florida.

6 Q And I -- I moved into another area of
7 questioning. I -- were you answering that question with
8 respect to the detailed schedule of values?

9 A That's not a phrase I used. I am talking
10 about the Attachment 7 that lays out, at a high level,
11 what comprises the work scopes that comprise this --
12 that's equal to the fixed price amount. That's what we
13 will be using on these monthly invoices, is that scope
14 of work actually completed or progressed.

15 Q Okay. So -- so same question, but rather than
16 making that the subject of the question, the monthly
17 reports, does -- do you have -- does Duke have any
18 objection to sharing the monthly reports that are
19 provided to you by ADP with the Commission?

20 A No.

21 Q Okay. And do you know -- that -- that
22 wouldn't necessarily even take a change in the, you
23 know, in your agreement, right? I mean, they are
24 obligated contractually to provide you the reports. If
25 the Commission says, we would like to see the reports

1 **for transparency sake, that's not a renegotiation of the**
2 **deal, is it?**

3 A It is not. I agree. And clearly, we would
4 either provide, make them available, whatever staff
5 would want. There could be some confiden--
6 confidentiality we would have to work through, but I --
7 I would think that's doable between -- between Duke
8 Energy Florida and the Commission and its staff.

9 Q Okay. And you said that's not accurate. What
10 were you referencing when you said that's not accurate?

11 A I don't know. I don't recall.

12 Q I asked Mr. State yesterday to give me his
13 confidence level about this project going well and
14 executed as -- as drawn up, and I would like to ask you
15 that same question.

16 Could you share with -- with the Commission
17 and me your view as to the confidence level that this
18 decommissioning, and including the handling, management
19 and storage of the spent nuclear fuel rods will go as
20 planned?

21 A Very high confidence, probably at the
22 90-percent level.

23 Q You said 90 -- 90 percent?

24 A Yes, sir.

25 Q With respect to the fixed price of the

1 contract, whose idea was the fixed price?

2 A It was in the original proposal that we
3 received. We received four proposals. One of them was
4 ADP's proposal, and theirs was the fixed price.

5 Q Okay. And so -- so I know in your testimony,
6 you say, well, there is value in that because there is
7 no -- no cost overruns or change orders; but I was
8 curious about who -- sometimes -- you are aware in
9 negotiations, sometimes people propose things that they
10 see is a benefit to them, correct?

11 A As would Duke Energy Florida, we -- we've got
12 a lot of benefit in these negotiations.

13 Q Yeah, right. But you -- you negotiate things
14 for the company, correct?

15 A Yes.

16 Q And -- and you typically, when you are going
17 back and forth, you put things out that you want. So
18 like, where did this issue come from, if it's something
19 that's important to you, typically you -- you put it out
20 there, correct?

21 A Typically, yes.

22 Q You mentioned additional insurance when you
23 were going through a question, I think, from Mr.
24 Rehwinkel about all of the backups that you think are
25 provided to the ratepayers. What -- what's the

1 **additional insurance that you referenced?**

2 A I am referencing as an attachment, it's
3 covered in the body of the DSA, and it is an attachment
4 in the DSA. And it is attachment -- let me see if I can
5 find the number. I don't have -- let me -- I can get it
6 here.

7 Q **Yeah, it's not -- I mean, I just was trying to**
8 **get a high level your understanding of what the**
9 **insurance was for.**

10 A It's Attachment 16. It's an environmental --
11 it's Attachment 16 in the DSA. It is an environmental
12 pollution insurance policy. And we -- it will be an ADP
13 insurance policy with a value of approximately \$30
14 million.

15 Q **Okay. And just to go back to that -- I will**
16 **call it the schedule of values, you referenced it as an**
17 **exhibit. But if -- if the parties -- I mean, there is a**
18 **provision -- and we don't have to get into, you know,**
19 **numbers or anything, but with respect to, you know, if**
20 **there is disagreement about payment, it says that you**
21 **can have disagreements up to a certain amount, and then**
22 **anything over that, I am unclear what happened. We**
23 **talked about this in your deposition.**

24 A Yes, sir.

25 Q **And what happens -- what happens if you all**

1 get in a situation where there is disagreements that --
2 that go beyond that number? Does the project come
3 crashing to a halt until you get it worked out and get
4 in the courts and you are fighting about monies owed? I
5 mean, what -- just give -- give me a sense of what you
6 understand or envision would happen.

7 MS. TRIPLETT: And, Mr. Chair, I just want to
8 caution, I think the process is not confidential,
9 but that number, and Mr. Moyle did a good job of
10 not saying it, but that number itself is
11 confidential?

12 CHAIRMAN CLARK: Understood.

13 THE WITNESS: So I will -- I will give you my
14 quick understanding, which is very clear.

15 First, contractually, they have to continue
16 the work. They have to negotiate in good faith to
17 settle the disputes. There is a dispute and a
18 dispute resolution sections of the contract. When
19 it gets to that limit, I stop paying them until it
20 is resolved a level back below the limit. It's
21 that simple.

22 Most of these disputes are likely going to be
23 on the percent completed reported in a monthly
24 invoice. The reason we built in that they have to
25 complete the work is completing the work is one way

1 to resolve the dispute.

2 So if I'm disputing, you say you are 80
3 percent and I say you are 40 percent, I am going to
4 dispute that, and then there is a process, right?
5 But at some point, because contractually, they have
6 to continue the work, at some point it really is
7 going to be 80 percent.

8 So there is -- it's all tied together. But
9 that's exactly how it's going to be. We will not
10 pay above the limit in the disputed costs, period,
11 until it's resolved.

12 BY MR. MOYLE:

13 Q So the contractual provision says essentially
14 that you can have this ongoing process until you hit
15 that number, and then over that number, you know,
16 couldn't they say, you know what, we are not -- we are
17 not working for free here, and you are not -- you are
18 not seeing the percentage right, and, you know, we are
19 shutting down? I mean, are you familiar with that
20 happening on jobs, right, construction jobs?

21 A I don't -- contractually, that is not
22 permissible. I will say that.

23 Q Mr. Brew -- the other lawyers asked you about
24 some questions about the trust fund, and I am -- I am
25 not going to go and repeat that, but I just wanted to

1 ask you a couple of follow-up questions.

2 If you have a question about whether you can
3 use certain monies from the NDT, there is a way you can
4 go ask the NRC, the Nuclear Regulatory Commission, about
5 that; isn't that right?

6 A No, that's not right.

7 Q What -- what's the waiver process?

8 A I am not familiar with an NRC waiver process.

9 Q Did you -- did you have to get a waiver in
10 this case from any governmental bodies?

11 A In which case?

12 Q In -- in the cases before this commission.

13 A The NRC has an exemption process, and we,
14 earlier in our seven-year decommissioning project, we
15 received an exemption -- since our trust fund is a
16 commingled fund, we received an exemption to allow us to
17 cover the three types of costs, which are license
18 termination, spent fuel management and site restoration,
19 and to pay those legitimate costs from our trust fund.

20 We did that several years -- there was a lot
21 of precedent for that, and we just followed the
22 precedent that the NRC currently granted other plants
23 and utilities for that exact same exemption.

24 Q All right. And -- and so with respect to -- I
25 am sorry, I -- I said waiver, and I got it confused with

1 exemption.

2 If -- if there was excess money in the nuclear
3 decommissioning trust fund and there was concerns about,
4 well, I am not sure that we can do this under federal
5 rules and regulation, could the exemption process be
6 used to ask for an opinion on that -- on that issue?

7 A I suppose it could. But I would point out
8 that determining that if there was unused funds can only
9 occur once the NRC license is terminated. You -- you
10 can't do that in the future. That is a determination
11 that will be made at the end of the project, which
12 currently is 2038.

13 Q Yeah. I mean, you would agree -- I will give
14 you a hypothetical -- that if you put the money in
15 the -- in the fund and, you know, let's just say you had
16 100 million in costs and the fund had 120 in it, and
17 then the stock market took off, and all of a sudden you
18 had \$1 billion in the fund and your costs remained at
19 120, you are of the view that there is no mechanism
20 whatsoever to make an adjustment in a way that would
21 have ratepayers get some relief, because the stock
22 market has done great and -- and earned a ton of money
23 and the nuclear decommissioning costs have not gone up?

24 A I am of the view that the trust fund is, for
25 the decommissioning project, that does not end until the

1 license is terminated. I am also under the view that
2 that trust fund is there for the -- the risk that Duke
3 Energy Florida continues to have until license
4 termination or a change in end state condition. And
5 until that risk is gone, which happens at license
6 termination, I do not see a mechanism to take money out
7 of the fund. In fact, taking money out of the fund
8 could be the reason we would have to go back to the
9 customers in the future. So you could get the exact
10 opposite of what -- whatever it is one might desire.

11 So that is my view of the trust fund and how
12 it works in conjunction with our risk management aspect
13 until license termination.

14 Q Yeah. Would it -- would it -- in your mind,
15 would it be more appropriate if something happened, you
16 know, three years from now with unforeseen circumstance
17 or condition with the activities of ADP to have -- have
18 ratepayers that are currently do customers pay for that
19 as compared to customers who may have paid decades ago,
20 intergenerational transfer issue?

21 A I don't believe I understood your question,
22 sir.

23 Q Okay. Well, I will -- I will move on.

24 What -- what is your -- you have said also in
25 your testimony that you are familiar with the terms and

1 conditions of the contract with ADP CR3 and ADP SF1
2 that's on page two of your -- of your testimony. I want
3 to ask you about some of the attachments in the
4 agreement. Would you be comfortable with that?

5 A Maybe. It depends on your question. Some of
6 those are very legal documents, and I would rely on my
7 Duke Energy legal team. So my knowledge is that the
8 content here, and the -- and the process we used to get
9 to this point, but a lot of this is very legal language.
10 I am not a lawyer, so it depends upon the nature of your
11 question.

12 Q Okay. But, you know, I'm not necessarily
13 going to ask for detailed legal opinions included, and
14 Ms. Triplett would do a good job of providing that. I
15 am just trying to get your general understanding of as
16 the key witness who said in the testimony there
17 providing testimony about terms and conditions of the
18 contract.

19 So I -- I asked one of the witnesses yesterday
20 about -- about Exhibit M. It's a trust agreement for a
21 trust fund with the ADP SF1. What's your understanding
22 of -- of that trust fund?

23 A Exhibit M?

24 Q Yeah, M as in Michael.

25 MS. TRIPLETT: It's in Exhibit 6C. It's

1 probably --

2 THE WITNESS: Okay, so it's titled the Crystal
3 River 3 ISFSI Decommissioning Trust Agreement?

4 BY MR. MOYLE:

5 **Q Right.**

6 A So NRC regulation, in addition to the annual
7 reporting you do for the overall decommissioning, there
8 is a three-year period ISFSI that the licensee has to
9 formally submit how they are meeting the regulations for
10 the future decommissioning of the ISFSI. That is
11 generally done with the trust fund. And since that is
12 now -- if we are able to close this transaction,
13 assuming it's approved, then that is an ADP
14 responsibility. So this is to meet NRC regulations that
15 has a three-year reporting period.

16 **Q Do you know who's funding that trust fund?**

17 A ADP. No money from the Duke Energy trust fund
18 has anything to do with this -- this exhibit.

19 **Q Okay. If the -- if the NRC could say, you**
20 **know, we believe you have excess monies in your -- your**
21 **fund, your NDT, would Duke have any objection to**
22 **refunding some or all of that money to ratepayers as we**
23 **sit here today?**

24 A Yes.

25 **Q You would? And that's notwithstanding the**

1 fact that you are aware we are in the greatest
2 economic -- challenging economic time since The Great
3 Depression?

4 A My response is primarily based on IRS
5 regulations that clearly state that paying money for
6 anything other than actual decommissioning costs is
7 the -- is a method to disqualify the trust fund, and was
8 that -- if that was to happen, that's a significant loss
9 in terms of tax and penalties.

10 Q Okay. Assume that -- that legal issue could
11 be overcome, would you have any objection, would Duke
12 have any objection?

13 A I can't assume that. I am just -- I have to
14 deal with the reality that we are in.

15 Q But that's a legal question, right? You are
16 not a -- you are not lawyer. I am asking you, as an
17 expert witness I assume, to make an assumption that that
18 could be overcome.

19 A I don't -- I don't know that it could be
20 overcome.

21 Q Well, just assume that --

22 A And I don't think --

23 MR. MOYLE: Mr. Chair, could I get a little
24 help with this, please?

25 CHAIRMAN CLARK: I think it's a pretty simple

1 question here. Just yes or no? I mean, that's --
2 I think that's where we are trying to get to here.

3 BY MR. MOYLE:

4 Q And the question is: Assume that the legal
5 issue that you have identified can be overcome, if it's
6 overcome, would Duke have any objection to returning
7 monies to ratepayers now?

8 A Yes.

9 Q And -- and what would that be based on?

10 A Prudency. I would go back to what I just
11 described, Mr. Moyle, about the change in end state
12 condition, risk being a Duke Energy Florida risk until
13 the NRC license is terminated.

14 Q Okay. So -- so -- so given the level of
15 confidence that you have expressed of 90 percent,
16 otherwise you, and all the parent guarantees, you
17 would -- you would not be comfortable providing -- well,
18 how about half of the money? How about 50 million?

19 A No. The -- the confidence I expressed is on
20 ADP's work. That has nothing to do with a change in end
21 state condition, which is the risk to Duke Energy
22 Florida.

23 Q Okay. And -- and that risk relates to the
24 site, the soil conditions and things like that, right?

25 A It's three specific ones. It has to do with

1 the residual radioactive level that has to be decon to.
2 The second is only removing structures to three feet
3 below grade. And the third one is the ability to use
4 clean concrete generated during the deconstruction to
5 backfill the basements that we leave in the ground.

6 Q Okay. And that is the \$90 million that
7 Mr. Brew asked but, that relates to the litigation,
8 right? Same question with respect to that money.

9 A Well, could you restate your question, sir?

10 Q Sure. The -- the \$90 million, I understand
11 that -- that comes from monies that have been charged
12 based on megawatt hours generated by nuclear power; is
13 that your understanding?

14 A 90 million DOE --

15 Q Right.

16 A -- claim --

17 Q Yes, sir.

18 A -- has nothing to do with power generation --
19 has nothing to do with power generation. It's spent
20 fuel management cost.

21 Q And -- and -- and who has that money now?

22 A It is -- it is a litigation that's in progress
23 between Duke Energy Florida and the Department of
24 Energy.

25 Q Right. And -- and you are suing the

1 Department of Energy to get -- get the money, right?

2 A Yes.

3 Q Okay. And how did the Department of Energy
4 get the money?

5 A They don't have the money. They have the
6 obligation for spent fuel management that they have
7 failed to meet since 1998. So since we are still
8 incurring costs, we use litigation to recover our costs,
9 and that's a process that's been going on for at least a
10 couple of decades, if not longer.

11 Q Okay. Let's say that -- assume legally that
12 that money did not have to go into the nuclear
13 decommissioning trust fund.

14 A Okay.

15 Q If it was not in the nuclear decommissioning
16 trust fund, could that money be available to return to
17 ratepayers?

18 A I don't know. It certainly is our intention
19 to put the money back in our nuclear decommissioning
20 trust fund reserve account. So I don't know if there is
21 a legal requirement. I know through practice that's
22 what we do. That's also the assumptions that's baked
23 into all these projections, that show there should be
24 unused money at the end of the project.

25 Q Okay. And we are going to be writing briefs

1 on this. And I just -- you are aware that we are tough
2 economic times, the worst since The Great Depression;
3 isn't that right?

4 A I don't know if it's -- I don't -- I don't
5 have a comparison. I certainly read the news, and I
6 recognize what's been going these last four months, or
7 three months, whatever it is. I guess it's four months
8 now.

9 Q Okay. And it's --

10 A I don't make --

11 Q Go ahead.

12 A Just I personally can't make a comparison to
13 past economic performance.

14 Q Do you have an understanding as to whether we
15 are in a recession today?

16 A I do not.

17 Q But the economy is not good, you understand
18 that, right?

19 A Certainly some people have been affected.

20 MR. MOYLE: Mr. Chair, if I could just have a
21 minute, please?

22 CHAIRMAN CLARK: Sure.

23 BY MR. MOYLE:

24 Q Okay. Thank you, sir, for your time.

25 A You are certainly welcome, sir.

1 CHAIRMAN CLARK: All right. Thank you, Mr.
2 Moyle.

3 Ms. Brownless, any questions?

4 MS. BROWNLESS: Yes, sir. Thank you.

5 EXAMINATION

6 BY MS. BROWNLESS:

7 Q Good afternoon, Mr. Hobbs.

8 A Good afternoon, Ms. Brownless.

9 Q I guess it's close to the afternoon --

10 A Morning.

11 Q -- but not quite.

12 CHAIRMAN CLARK: A few more minutes.

13 MS. BROWNLESS: A few more minutes.

14 BY MS. BROWNLESS:

15 Q I would like you to turn to Attachment 9 of
16 the DSA, and that is on page 514 of the document.

17 A Okay, I have Attachment 9 in front of me.

18 Q Thank you, sir.

19 And Attachment 9 to the DSA sets out the
20 reporting and notification requirements that ADP is
21 required to make to DEF, is that correct?

22 A Yes, that's correct.

23 Q Okay. And there appear to be five categories
24 of reports. Section A talks about 24-hour
25 notifications, and these appear to be significant events

1 that affect the health and safety, regulatory
2 violation -- violations, organizational changes in ADP
3 partners or changes in the finances of Orano or the
4 NorthStar Group Holdings; is that correct?

5 A Yes. That's correct.

6 Q Okay. Section B talks about the monthly
7 face-to-face meeting that we -- yes, the monthly
8 face-to-face meeting, disputes, contract, noncompliance,
9 schedule milestones, stuff like that; is it that right?

10 A Yes, that's right.

11 Q Okay. And these materials are going to
12 provide -- be provided to you two weeks prior to the
13 scheduled meeting, is that right?

14 A Yes, that's -- that -- that is specifically in
15 the last page -- the last bullet on that page. Yes,
16 ma'am.

17 Q Okay. All right. Then Section C on the next
18 page talks about annual information that ADP is going to
19 give you. And that's going to give you -- it's a -- is
20 it fair for me to say that this is an annual summary
21 that's going to take place on or before March 31st of
22 each calendar year?

23 A I think that's a fair description. Yes,
24 ma'am.

25 Q Okay. And this is basically a summary, an

1 assessment of the last 12-month period, and it's
2 basically the same information that's going to be
3 provided to you on a quarterly basis; is that correct?

4 A Yes.

5 Q Okay. Section D and E appear to me to apply
6 only if ADP decides to transfer the GTCC waste away from
7 the site; is that right?

8 A That's what D says. Let me look at E.
9 Correct, that -- those are -- that is information that
10 ADP will need to share with Duke Energy Florida in those
11 two circumstances, yes.

12 Q Okay. So basically the information that you
13 are going to be getting regularly is in the Sections A,
14 B and C, correct?

15 A Yes.

16 Q Okay. In addition to those reports, there are
17 reporting requirements in other sections of the DSA, am
18 I correct?

19 A Yes, you are correct.

20 Q Okay. And these are found in Section 6.22,
21 6.12, 9.9, Article 11, Article 15; is that right?

22 A I am not -- I would -- I would need to go and
23 look at those. I do know there are several locations
24 within the agreement that has additional requirements.

25 Q Well, those would be article --

1 A Did you want me to look at those?

2 Q No, sir. Those were the articles that you
3 mentioned at your deposition, so if you mentioned them
4 at your --

5 A I know it is, I just --

6 Q Yeah, if you mentioned them at your
7 deposition --

8 A Yes, ma'am. I recognize that -- right.

9 Q Yeah. Okay. So let me finish my sentence
10 there.

11 If you mentioned them at your deposition, I
12 assume that you believe they are correct?

13 A I certainly believe they are correct.

14 Q Thank you.

15 And there are also additional reports that are
16 due to you at closing, is that correct?

17 A Yes.

18 Q Okay. Do you anticipate that DEF will prepare
19 written reports to your management regarding these
20 meetings, evaluating these materials, giving the status
21 of payments, schedules, conflicts, et cetera?

22 A Yes. I intend to produce a report. I -- I --
23 you know, we have a regional headquarters in
24 St. Petersburg, and of course our corporate headquarters
25 in Charlotte. I think there are key leaders within our

1 country that have an interest, a very keen interest in
2 this project, so, yes.

3 And -- and just to be transparent with you,
4 Ms. Brownless, right now, I would, at least for the
5 first year of that project, I would -- I would plan to
6 do that quarterly. It will be a summary report, but my
7 current plans are, at least for the first year of the
8 project, to do that quarterly, and maybe less frequently
9 than that throughout the remainder of the project. It
10 depends upon how the project is progressing.

11 Q Right. Because you are basically going to
12 prepare reports to your upper management when you think
13 it's appropriate, correct?

14 A Correct.

15 Q Okay. To the extent that reports or filings
16 are required to be made with the NRC, DEF must be
17 notified and filings provided to DEF; is that correct?

18 A Yes, that's correct.

19 Q Okay. And in addition to all of these reports
20 that we have talked about, I think you indicated at your
21 deposition that you were going to do what I would call
22 informal information gathering as well, is that correct?
23 And let me give you some examples of that, Mr. Hobbs.
24 You would visit the plant -- you would visit the plant
25 weekly, is that right?

1 A Yes. I -- I think the -- I think the word
2 "informal" maybe is what I got hung up on. I think
3 there is some level of formality, because included in --
4 in that is our inspections to do the vallation
5 validation of the monthly invoice. So I think there is
6 a level of formality for that since I will have to
7 approve that invoice for payment.

8 Q Yes, sir. And what I am talking about instead
9 of the formal invoice approval process, is things that
10 you would do, like, you would actually visit the site
11 weekly?

12 A Yes.

13 Q And you would actually have tours and
14 discussions with the ADP personnel frequently?

15 A Yes. Yes.

16 Q And you would have communication in almost
17 realtime, is that fair?

18 A Yes, that's fair.

19 Q At your deposition, when we discussed the
20 timing and type of information that was going to be
21 provided to the Commission, you referenced me to your
22 response to Issue No. 7, is that correct?

23 A That's correct. Yes.

24 Q Okay. And that would be Issue No. 7 in the
25 prehearing order, and I am just going to -- do you have

1 **that there, Mr. Hobbs?**

2 MS. TRIPLETT: I don't think you do.

3 THE WITNESS: Is it in here somewhere, Danny?

4 BY MS. BROWNLESS:

5 **Q It's your -- Duke's position on Issue No. 7.**

6 A Okay. Yes, I have it in front of me, Ms.

7 Brownless.

8 **Q Thank you.**

9 **Could you just read your position into the**
10 **record, please?**

11 A DEF will submit an annual report to the
12 Commission to ensure that the decommissioning activities
13 outlined in the DSA are completed. The report will
14 include the amount of funds paid to ADP CR3, LLC, from
15 the NDF during the previous year, the amount of funds
16 remaining in the NDF, the ADP CR3 schedule performance
17 for the previous year and project to date, and an
18 assessment of future schedule and pay projections,
19 especially for the following year.

20 When I wrote this response, I modeled -- in my
21 thinking, I used the model that the -- the licensee has
22 to submit to the NRC in March of each year because it
23 has this same information. So that was my thinking when
24 I wrote this -- or the context in which I wrote this
25 response, Ms. Brownless.

1 Q Okay. And was part of your process that you
2 would be including the information in the annual report
3 that ADP gave to you?

4 A Yes. As I stated earlier today, I -- I will
5 supply the Commission and its staff whatever information
6 they have that Duke Energy Florida has available.

7 Q Okay. So let me just go back and ask about
8 that specifically. Are you willing to provide the
9 Commission within -- with the 24-hour notification
10 information within 24 hours of receiving it?

11 A I certainly am not opposed to it. I would
12 have to -- you know, I personally don't communicate. I
13 don't -- I don't know the processes by which DEF
14 communicates with staff. I am not opposed to it. I
15 just don't know that --

16 I will point out that in my career, I have
17 make many, many non-emergency and emergency reports to
18 the NRC and other government agencies. And to my
19 knowledge, I don't remember that going to the particular
20 commission, so -- but -- but a direct answer to your
21 question, I am not opposed to, just we would have to
22 determine how we would do that.

23 Q Okay. With regard to the other information
24 that we discussed in Sections B and C, would DEF be
25 opposed to providing this material within one week of

1 receiving it so that the Commission would have this
2 material pretty much at the same time that DEP did? And
3 we would -- with the caveat that whatever information
4 from ADP or from Duke was considered confidential would
5 be kept confidential?

6 A I don't have any objection to -- to giving the
7 Commission and its staff whatever information it needs.
8 I -- again, I don't know how we would do it. You
9 mentioned the confidentiality. We would have to do
10 that.

11 I don't know if two weeks is right, because,
12 as I said earlier, if I am going to prepare a report, I
13 can't do that until after the meeting. So I don't know
14 what the timing is. Certainly I would be happy to share
15 it with the Commission and staff.

16 Q Okay. Well let me ask this then: Is it fair
17 to say that DEF is willing to commit to share this
18 information in a method and on a schedule that can be
19 worked out with the PSC staff?

20 A Yes.

21 Q The information that you listed in the
22 prehearing statement for Issue No. 7, would you be
23 willing to prepare that and give that to the Commission
24 staff on a quarterly basis?

25 A To the extent I can, yes. I am trying to look

1 at what I said. I said, certainly anything associated
2 with costs we would be happy to share. Scheduled
3 performance, yes, we would be happy to do. So, yes,
4 generally, I would -- I would be -- we would commit to
5 do that.

6 Q Thank you.

7 And with regard to your role with regard to
8 ADP in evaluating the invoices, you are evaluating the
9 invoices for purposes of seeing if the work was done and
10 done correctly, and done on the timeline that's set
11 forth in the schedule; is that fair?

12 A I -- I -- I think the first two points are
13 fair. The schedule, you know, the schedules are going
14 to change. So primarily, it will be was the work
15 performed, and was it performed in a quality manner? At
16 a high level, yes, schedules of values, I would
17 anticipate schedules to move around. Remember, we are
18 doing this monthly.

19 Q Sure.

20 You don't have the right to tell ADP how to do
21 any particular activity in a particular way, is that
22 correct?

23 A Yes, that's correct.

24 Q You have owner's rights, is that the parlance
25 in the industry?

1 A Yes, ma'am.

2 Q **Okay. Your basic leverage to get things done**
3 **correctly is withholding payment, is that fair?**

4 A I can only withhold payment if we reach the
5 maximum allowed in disputed costs. We have owner's
6 rights to escalate any issues we have with executives of
7 these --

8 Q **Okay.**

9 A -- companies, so I would think -- I would tell
10 you that's a primary owner's right. If there is
11 performance issues going on, frankly, I would want to be
12 aware of them, but that's really what would become a
13 nuclear regulatory issue if it's -- for instance if it
14 was a radioactive shipment, that would become a Florida,
15 I think it's Department of Health within the Department
16 of Environmental Protection.

17 So there is -- there is a lot of levers out
18 there to the Department of Transportation, right, it's a
19 shipment. There is a lot of agency levers that form
20 that box around performance.

21 So I would be knowledgeable. I would have
22 escalation rights to say, hey, you know, go to their
23 executives and look at this performance, what's going
24 on, but there is -- there is other levers if there is a
25 performance issue.

1 Q Well, let's talk about your ability to
2 dispute, your dispute resolution process, and I just
3 want to make sure I understand what it is.

4 If I have read that provision correctly, it
5 first goes to a committee who talks about the area
6 that's in dispute, is that correct?

7 A Let me reference that, Ms. Brownless. I don't
8 to -- I want to try to be accurate. In the resolution,
9 it's 16.7.

10 Q And that's Section 16.7, sir, is that correct?

11 A Yes, that's correct.

12 That says: Yes, it will be -- the dispute
13 will be in writing. Promptly after receipt, both
14 parties shall discuss the issues, present reasonable
15 requested documentation and attempt to reach a
16 settlement that is agreeable to both parties --
17 parties -- it keeps going. So, yeah, there is a process
18 here, and this is what we would follow.

19 Q Right. And so it goes to a committee, and
20 then it goes to a higher executive at both companies --

21 A Right.

22 Q -- and then they have 15 days to figure out if
23 they can resolve it. And then if they ultimately can't
24 resolve it, it goes to either federal court, circuit
25 court, or if the parties agree, to arbitration; is that

1 **correct?**

2 A That's correct. But now, in the context, that
3 is for any dispute, not necessarily a monthly invoice
4 dispute. And I want to take just a moment so that is --
5 that is for a dispute throughout the project. There may
6 be more specific language to the disputed pay. I just
7 need to have a moment to look at it, if you want to
8 pursue that.

9 Q **No, sir. I just wanted to lay out the basic**
10 **process.**

11 A Okay.

12 Q **Okay.**

13 A Yes. I agree, for any dispute, not just a pay
14 dispute, that is what is in the agreement. Yes, ma'am.

15 Q **Okay. Now, I wanted to ask a few questions**
16 **about the -- what you have called the remainder trust**
17 **fund, which I think, from your description, is the part**
18 **that Duke would have control over after the 540 is taken**
19 **out and put into the IOI trust fund, or subaccount; is**
20 **that correct?**

21 A Right. It's the reserve account.

22 Q **Okay. Now, with regard to that reserve**
23 **account, does that reserve account contain an IRS**
24 **qualified portion as well as an IRS nonqualified**
25 **portion?**

1 A It certainly has a qualified portion,
2 although -- now this is still one trust fund, right. So
3 there is --

4 **Q Right.**

5 A -- a -- Duke Energy still controls the 540 in
6 a decommissioning subaccount. We still own and control
7 the -- the reserve fund, and then there is the third
8 element, which is the nonqualified fund. I don't -- I
9 don't know the details of where that is, but, yeah, the
10 total value, whatever is not in the 540, it's in that
11 reserve account, and it may very well be where there is
12 that currently a relatively small amount of the
13 nonqualified funds plus the qualified funds.

14 **Q Okay. Is there any legal or regulatory**
15 **prohibition against distribution of the nonqualified**
16 **portion of the remainder trust fund to ratepayers prior**
17 **to full NRC license termination?**

18 A Yes. It is my understanding that that would
19 be prohibited by IRS rules and could lead to the
20 disqualification of the entire trust fund.

21 **Q Okay. So that's your understanding even if**
22 **there is a portion that is nonqualified?**

23 A Yes, that's my current understanding.

24 **Q Thank you, sir. If you give me a minute. I**
25 **think that's all I may have.**

1 **Thank you so much.**

2 A You are certainly welcome, Ms. Brownless.

3 CHAIRMAN CLARK: Thank you, Ms. Brownless.

4 Okay. Commissioners, any Commissioner have
5 any questions? I want to try to get these in, and
6 we will get Mr. Hobbs off the stand before we have
7 a quick lunch break. Any Commissioner have any
8 questions?

9 Commissioner Polmann.

10 COMMISSIONER POLMANN: Thank you, Mr.
11 Chairman.

12 Good afternoon, Mr. Hobbs.

13 THE WITNESS: Good afternoon, sir.

14 COMMISSIONER POLMANN: Let's see, I will try
15 not to cover things that have already been covered.

16 I am particularly curious about this idea of
17 returning to safe store, and this has been held up
18 here as the fallback position. You stated earlier
19 today that time is a great protection for the
20 customers, if I -- if I heard that correctly, and
21 in the context that there continues to be the
22 possibility to return to safe store; do you recall
23 that? Do I have that correct?

24 THE WITNESS: Yes, sir, you do.

25 COMMISSIONER POLMANN: Okay. And you also

1 stated the possibility of returning to safe store
2 is a protection that's available in the DSA, and --
3 and I would like to know in what sense is that
4 possibility available through the DSA that is not
5 otherwise available to Duke?

6 I think you are identified as somewhat of a
7 feature in the DSA, and I want to know specifically
8 why -- why it's a characteristic, or -- or having
9 that identified in that contract provides
10 protection, why do you not otherwise have that
11 available to the company?

12 THE WITNESS: Commissioner, I am not sure how
13 to answer that. I -- I guess I would say today,
14 the plant is in safe store.

15 The second, I think -- I am going to try to
16 really answer your question. Secondly, ADP becomes
17 the licensee. So now there is a licensee. Duke
18 Energy Florida cannot tell them what to do. So we
19 cannot tell them what to do, when to do it, how to
20 do it. So that's -- that's just the way being a
21 licensee is. Even though we are the owner, we
22 don't have that right.

23 So because we -- the protection is in the
24 context of needing to come to this petition to
25 petition for -- to come away from our customers.

1 So the reason the protections is in here is we
2 can't do it because they are the licensee, we have
3 now the contractual right that mutually agrees we
4 can do that because the protection it provides.
5 And why it ties to a function of time is you
6 effectively should down the demolition project. So
7 you effectively drive your costs to -- to near
8 zero.

9 So the reason you can do that is because we
10 sold the fuel. So whatever the ongoing cost is is
11 now not tied to the Duke Energy trust fund. But
12 now you have only spent for work complete. You
13 shut down the demolition project, so your
14 month-over-month costs now are very minimal.

15 The trust is still there. It can -- it's
16 invested, at least a portion of it is invested, if
17 you can look at that. And because we still have
18 until 2074 to finish the project, we would allow,
19 just as we have done in this case, we would allow
20 the trust fund to grow over time, do -- do some
21 analysis to determine when can we -- when we would
22 have enough money to recommence the actual
23 demolition project.

24 So that's the context that we view it as a
25 protection for our customers, that -- is what could

1 allow us not to have to come and ask for additional
2 monies from our customers. We want to keep that
3 always as the last option.

4 COMMISSIONER POLMANN: Okay. Thank you.

5 I -- I appreciate that Duke sees that as
6 protection for the customers, and -- and certainly
7 you can appreciate what -- what the Commission is
8 trying to do, is to understand how we see that as
9 protection for the customers. So I -- I really do
10 need to get a better handle on -- on what happens
11 when -- when this contract closes and moves
12 forward, ADP is -- becomes the license holder for
13 operating, and takes responsibility for the
14 decommissioning through -- through the contract
15 with the utility and then responsibility for the
16 spent fuel. And under that circumstance, I think
17 what I understood you to say is that you -- you do
18 not have a legal right to return to -- to the safe
19 store condition; is that -- is that correct?

20 THE WITNESS: Yes, sir, that's -- that's
21 correct. That would be a decision by the licensee,
22 which is ADP.

23 COMMISSIONER POLMANN: Okay. So -- so this
24 idea that's been repeatedly put forward that the
25 backstop is to return to safe store is only enabled

1 by the DSA; is that correct?

2 THE WITNESS: Yes, sir. That's correct.

3 COMMISSIONER POLMANN: Okay. But I think I
4 also heard you say that the mechanism, the process,
5 the -- the procedure and the costs, and the timing
6 to get there is unknown; is that true?

7 THE WITNESS: I have said that. I would add,
8 sir, also, since I am currently in safe store,
9 shutting down the demolition project, would just --
10 really what that means is you have got to make sure
11 everything is in a safe condition.

12 So, you know, you may have to do -- seal an
13 opening that you created in a building. Maybe you
14 have to put a tarp or something, a cover. I don't
15 think it's an -- an exhaustive complex series of
16 activities. I don't -- I don't. I think it
17 actually would be relatively simple to return to
18 safe store.

19 COMMISSIONER POLMANN: Well, I -- I appreciate
20 we can anticipate that it would not be difficult --
21 it may not be difficult. But the fact is that we
22 are trying to accept an unknown transition as being
23 a safeguard, and I understand now what you have
24 explained in terms of that -- that provision being
25 in the contract as -- as providing protection as an

1 opportunity, which -- which you will have otherwise
2 lost because you no longer are the operator and the
3 licensee. So that clarifies that. Thank you.

4 But there still remains -- because the site
5 conditions will have -- will have been altered
6 and -- and things will have moved forward through
7 this project, but at some point, if things go awry,
8 for whatever reason, and I am not suggesting that
9 they would, but if they -- if they did, getting
10 back to a safe store, or a safe store like
11 circumstance, to the benefit of the utility and the
12 customers, still holds a great deal of uncertainty.
13 And -- and I -- I think you would admit, would you
14 not, that that's -- that's simply uncertain.

15 THE WITNESS: I think there's --

16 COMMISSIONER POLMANN: It's still a high risk,
17 but -- go ahead. I am sorry.

18 THE WITNESS: I am sorry, sir, but I would say
19 there is some uncertainty, but we are in safe store
20 today. Duke Energy Florida employees have went
21 through the processes for the last -- we actually
22 achieved safe store conditions in July of 2019. So
23 that's a six-year project that Duke Energy is very
24 familiar with.

25 Now, I agree with your assessment that things

1 will have changed. Part of the plant is gone. So
2 I agree, it's not going to be that same model, but
3 we do have -- I mean, we are the people that have
4 done that in that first six years of our
5 decommissioning.

6 So there is some unknowns, but I -- I -- I --
7 I wouldn't characterize it as, you know, an extreme
8 or a high level, or whatever modifier that you
9 would want to put on it.

10 COMMISSIONER POLMANN: Okay. Well, let me
11 move on. I -- I appreciate that. Thank you.

12 Let's look at, just for a moment, at your --
13 Mr. Chairman, I just have one or two -- well, two
14 more questions.

15 On -- on your direct testimony on page 14, if
16 you could pull that up there. There was a bit of
17 inquiry from Mr. Rehwinkel. I wanted to follow up
18 on the technical review team in the contractor
19 selection process.

20 So on page 14 of your direct testimony,
21 looking at the question that starts on line 11.

22 THE WITNESS: Yes, sir, I am there.

23 COMMISSIONER POLMANN: Okay. That question
24 says: Please explain how the RFP process, and so
25 forth.

1 So in that -- in that -- in that section in
2 general, I -- I would like to see if you can answer
3 for me, and if there is something in there that you
4 feel you can't answer, I understand, but I would --
5 I would like to see, can you reveal to us more
6 specifically who are -- who were the members of the
7 technical review team? There is some general
8 information regarding consultants. Can you tell us
9 more about that, sir?

10 THE WITNESS: Yes, sir, I can.

11 So I -- I -- I have a safety professional that
12 supports me, very experienced, OSHA qualified
13 and -- and all that. He was there.

14 Operations, we had former licensed operators
15 very familiar with the plant construction and the
16 design construction and operations. We had a
17 maintenance supervisor there.

18 Health/physics is really, you know, that's the
19 radiation protection project. So our radiation
20 protection manager himself was on that team.

21 Environmental sciences, we have an
22 environmental department within Duke Energy
23 Florida, so we had representatives from them.

24 Construction and power plant engineering, they
25 were -- there were two people who have a lot of

1 experience, not necessarily from Florida utilities,
2 but working for utilities in construction and power
3 plant engineering.

4 So we -- we had quite a few people on there.
5 I think the total -- I wish I could remember the
6 number, but it was probably close to a dozen
7 people, and it was a mix of contractors that work
8 for us that are very experienced and our own
9 internal Duke Energy folks.

10 COMMISSIONER POLMANN: Okay. Okay. So the --
11 my interest is in the consultants in particular.
12 Do they have specific experience in -- in nuclear
13 power plants in contamination and cleanup areas?

14 THE WITNESS: Yeah. I am trying to see where
15 I specifically mentioned consultants, sir. Give me
16 just one second.

17 COMMISSIONER POLMANN: That was on line 13.

18 THE WITNESS: Yes. The consultants I am
19 talking about have a lot of experience. So to give
20 you an example, you know, we had -- when we were
21 doing this, we had recently completed constructing
22 the dry cask storage system and moving all the fuel
23 from wet storage into the canisters that ultimately
24 went to dry storage. So from a construction
25 standpoint, some of those people were on this team.

1 And then on the operational side, the
2 contamination control, the maintaining radiation as
3 low as achievable, those types of things, there
4 were people who had just finished that six-month,
5 or actually turned out to be seven-month fuel
6 loading campaign.

7 So -- so very -- and they have done a lot of
8 other projects like that over their careers.

9 COMMISSIONER POLMANN: Okay. Well, I
10 appreciate that explanation.

11 Let me ask you just a couple of questions
12 about what -- what you had referred to, I believe,
13 as the bid process, which I interpret to be
14 strongly based in costs and price. And -- and I
15 don't mean to say the entire selection process is
16 based only on dollars, but I believe you said you
17 had four bidders, and so let me ask a question in
18 terms of the technical side of that, which -- which
19 we just talked about.

20 Can you tell me if the review team found these
21 four bidders to be -- to be essentially similar
22 with regard to the technical qualifications? And
23 then more specifically, were those four bidding
24 teams right by order of qualifications?

25 THE WITNESS: Yes. I will -- yes, sir, we

1 did -- we did write them. And -- and I will speak
2 to the technical -- about analysis.

3 And to make sure that this was unbiased, of
4 course, we had built the technical review process
5 and criteria before we ever received process of the
6 proposal. That's just -- that's to keep bias out
7 of.

8 But of the four we received, the top two were
9 very much -- they were ranked much higher than the
10 bottom two. So that -- that down-selects the two
11 vendors -- actually the technical team, when they
12 did their review, that was very apparent.

13 Now, the top two were very close, and, you
14 know, in the areas you talked about, cost,
15 technical capabilities, but, you know, then we
16 continued to -- actually, at that point, we brought
17 both teams on-site to allow them to do an on-site
18 due diligence period to confirm the assumptions
19 that were in the proposal, and then they gave us
20 refreshed bid.

21 They did that in December of 2018. We
22 completed the evaluation of those refreshed bids in
23 early January 2019, and we selected ADP for many
24 reasons. One being cost. One being technical
25 expertise, because this or in this case, both

1 models was going to require a license transfer, as
2 it had to be approved by the NRC. So we had to
3 pick a -- you know, we had to evaluate, because
4 these people -- would the NRC view these people to
5 be a licensee. So that -- that's an example that
6 there was certainly more than cost.

7 COMMISSIONER POLMANN: Okay. One last
8 question, Mr. Chairman, and -- and thank you,
9 Mr. Hobbs. But just in simple words, would --
10 would you refer to your section process as least
11 cost or best in value?

12 THE WITNESS: It turns out to be both, sir.
13 Especially, it was the lower cost of the two final
14 proposals, and it was the only fixed price
15 contract. So I -- I would -- I would answer it was
16 both.

17 COMMISSIONER POLMANN: Okay. Thank you very
18 much, sir.

19 And, Mr. Chairman, that's all I have.
20 Appreciate the opportunity.

21 CHAIRMAN CLARK: Thank you, Commissioner
22 Polmann.

23 Any other Commissioners have questions for
24 Mr. Hobbs?

25 All right. Seeing none, Ms. Triplett,

1 redirect?

2 MS. TRIPLETT: Yes, sir, just a couple.

3 FURTHER EXAMINATION

4 BY MS. TRIPLETT:

5 Q Mr. Hobbs, based on Commissioner Polmann's
6 questions regarding return to safe store, just to be
7 clear, is Duke Energy Florida asking this commission to
8 preapprove any scenario that may happen in the future in
9 which the safe store -- return to safe store condition
10 that you described has to be implemented?

11 A No, we are not.

12 Q Okay. And so if that -- if that happened,
13 would you agree that the Commission and the -- and the
14 parties would have full rights to review that decision
15 at that point in time based on the information that was
16 occurring at that point in time?

17 A Yes, I would.

18 MS. TRIPLETT: Okay. I have nothing further,
19 Mr. Chair. Thank you.

20 CHAIRMAN CLARK: All right. Do you have any
21 exhibits, Ms. Triplett?

22 MS. TRIPLETT: Yes, sir. Exhibits marked 2
23 and 3 on the comprehensive exhibit list, I would
24 ask for those to be entered.

25 CHAIRMAN CLARK: So ordered.

1 (Whereupon, Exhibit Nos. 2 & 3 were received
2 into evidence.)

3 CHAIRMAN CLARK: Mr. Moyle or Mr. Brew, did
4 either of them have any exhibits?

5 MR. BREW: No exhibits.

6 MR. MOYLE: No, sir.

7 CHAIRMAN CLARK: Okay.

8 MR. MOYLE: No, sir, I did not have any
9 exhibits.

10 CHAIRMAN CLARK: All right. Ms. Brownless?

11 MS. BROWNLESS: No, sir.

12 CHAIRMAN CLARK: No staff exhibits.

13 All right. That takes care of all of our
14 exhibits, correct? We are good.

15 MS. BROWNLESS: Excuse me, sir, what about
16 Office of Public Counsel?

17 CHAIRMAN CLARK: Oh, I am sorry. He is not on
18 my screen. That's why I missed him.

19 Mr. Rehwinkel, there you are.

20 MR. REHWINKEL: I don't think -- I don't think
21 I have any exhibits to offer.

22 CHAIRMAN CLARK: Okay, no exhibits from OPC.
23 Very good.

24 All right. We are not going to dismiss your
25 witness. I believe he is coming back. Am I

1 correct, Ms. Triplett?

2 MS. TRIPLETT: I -- that's -- that's the
3 current plan, yes.

4 CHAIRMAN CLARK: Okay.

5 MS. TRIPLETT: Thank you.

6 CHAIRMAN CLARK: The current plan. I am with
7 you. That's the current plan.

8 Okay. So here's what we are going to do, we
9 are going to look at a lunch break here. Hopefully
10 we are going to wrap up these last two guys pretty
11 quick. I am thinking 30 minutes. Does anybody
12 need more than 30 minutes for lunch? Anybody need
13 specifically more than 30? I don't see any
14 complaints.

15 All right. We are coming back in exactly 30
16 minutes. All in agreement? We stand in recess.
17 Thanks.

18 (Lunch recess.)

19 CHAIRMAN CLARK: Mr. Rehwinkel, are you on
20 yet?

21 MR. REHWINKEL: Yes, sir, I am.

22 CHAIRMAN CLARK: Okay.

23 MR. REHWINKEL: Let me get my screen up.

24 CHAIRMAN CLARK: And your witness, Mr. Polich,
25 am I pronouncing that correct?

1 MR. REHWINKEL: Polich.

2 CHAIRMAN CLARK: Polich.

3 MR. REHWINKEL: Polich.

4 CHAIRMAN CLARK: Okay. Sorry, Mr. Polich.

5 MR. REHWINKEL: We may have several
6 conversations to have with you, Mr. Chairman.

7 CHAIRMAN CLARK: Okay.

8 MR. REHWINKEL: I will let Ms. Triplett go
9 first.

10 MS. TRIPLETT: So, Mr. Chair, I -- in order to
11 streamline this, I proposed very -- it was probably
12 right -- it was right before we broke for lunch,
13 that we would be willing to waive our
14 cross-examination of Mr. Polich if the -- there
15 were no -- no questions from the parties, and also
16 the Commissioners, which we don't know, of our --
17 our rebuttal witnesses. And I think that we have
18 at least a tentative agreement -- and forgive me
19 for not having more fully, but I had 30 minutes and
20 I didn't even eat my lunch, to work this out. But
21 I think that we have attentive agreement. We might
22 need a few more minute.

23 And we also -- I was trying to reach Ms.
24 Brownless and could not reach her, but we would
25 need to confirm that she did not have any questions

1 for these witnesses. And then, of course, the
2 Commissioners.

3 But I -- and then the other part of that, we
4 would read witness summaries. And so I am
5 reviewing the witness summary now to make sure I
6 don't have any concerns, and I think Mr. Rehwinkel
7 and Mr. Moyle and Mr. Brew are reviewing our
8 summaries, and then there is a -- there would be,
9 as part of that a stipulation, from Mr. Moyle.

10 But I guess -- I guess I just wanted to tell
11 you where we were standing, and perhaps, if we
12 could take another few minutes, we might -- we
13 maybe could streamline this. But I suppose before
14 we do that, maybe we should hear from Ms. Brownless
15 as to whether she would have any questions.

16 CHAIRMAN GRAHAM: Yeah, and let me check
17 with -- let me begin with the Commissioners, if the
18 commissioners are willing to forego their questions
19 as well, and -- and to expedite this matter, I
20 feel -- Commissioners, can I get a nod from you if
21 you are willing to forego questions from you guys?
22 I'm getting --

23 COMMISSIONER GRAHAM: Did I hear somebody say
24 settlement?

25 CHAIRMAN CLARK: Yes. We do that to get your

1 attention, Commissioner Graham.

2 All right. I think we are good on this end.

3 Ms. Brownless?

4 COMMISSIONER FAY: I can forego questions.

5 MS. BROWNLESS: And I apologize for -- I see
6 that Dianne called me, but unfortunately I had my
7 phone turned off.

8 If we could have just about three minutes and
9 make sure that we don't have anything --

10 CHAIRMAN CLARK: All right.

11 MS. BROWNLESS: -- I would appreciate that.

12 CHAIRMAN CLARK: Absolutely. Y'all feel
13 free -- feel free to discuss what you need to. We
14 will come back in five minutes with a decision.
15 Thanks.

16 MS. TRIPLETT: Thank you.

17 (Brief recess.)

18 CHAIRMAN CLARK: All right. We have three
19 Commissioners available, so we are going to go
20 ahead and proceed. I believe all the parties are
21 on the hundred.

22 Ms. Brownless, can you give us an update on
23 where we stand?

24 MS. BROWNLESS: I believe we do have an
25 agreement worked out to stipulated issues -- or

1 facts, and I will let Ms. Triplett read those into
2 the record at this time.

3 MS. TRIPLETT: Okay. So I think -- let me
4 just rehash, or reassess where we are at.

5 I think all of the parties have agreed to
6 waive cross -- waive cross-examination for the
7 remaining three witnesses, each witness will read
8 the witness summary, and then we will enter in
9 testimony and exhibits.

10 The agreement to waive cross is premised
11 upon -- I thinks actually three stipulations. I am
12 going to read two, and then maybe Mr. Brew can read
13 the one from -- that Mr. Moyle -- (inaudible) --

14 So here are the three -- and to be clear, they
15 are stipulations of facts to be entered into
16 evidence, but they are not stipulations that the
17 parties agree with the substance of evidence that
18 that stipulation that's being entered into. I
19 probably would ask my colleagues to confirm that I
20 said that correctly.

21 MR. REHWINKEL: From the Public Counsel's
22 standpoint, yes. I think the -- the -- the one Mr.
23 Moyle asked for would be a fact stipulation that we
24 would all agree to, but the other two are, it's
25 like stipulating testimony into the record. You

1 don't necessarily agree with it all, but you agree
2 that it goes into the record.

3 MS. TRIPLETT: Yes. Thank you, Charles.
4 That's a fair -- I agree with that clarification.

5 MR. BREW: And I would agree with that as
6 well.

7 MS. BROWNLESS: And staff agrees with that as
8 well.

9 CHAIRMAN CLARK: Okay.

10 MS. TRIPLETT: And so I know you are excitedly
11 waiting the stipulation.

12 Okay, so the first one is -- I am just going
13 to go ahead and read it into the -- read it now, if
14 that's okay.

15 CHAIRMAN CLARK: Yes, please.

16 MS. TRIPLETT: Okay. If -- thank you.

17 If any of the three recommended enhancements
18 that Mr. Polich has testified should be added to
19 the DSA are required by this commission, it is
20 NorthStar's position that parts of the DSA would
21 have to be renegotiated.

22 The second stipulation is if the Commission
23 were to adopt any conditions as part of its
24 approval of the transaction, would ADP or DEF
25 require renegotiation of the DSA? And the answer

1 is: For each entity, it would depend on its
2 assessment of the proposed condition.

3 And then, Mr. Brew, I may actually be able to
4 find the stipulation --

5 MR. BREW: I have got it. I have got it.

6 Mr. Chairman, the third stipulation would
7 read: The United States economy is in a recession
8 according to the National Bureau of Economic
9 Research, period.

10 CHAIRMAN CLARK: That's -- and where -- so you
11 are telling me that we are agreeing to the first as
12 stipulations to put into evidence, not necessarily
13 that everybody agrees with that, but that the third
14 we are wanting to enter into as a record of fact?

15 MR. BREW: Yes, sir.

16 CHAIRMAN CLARK: Mr. Brew, what is the -- what
17 is the actual definition of a recession, just real
18 quick?

19 MR. BREW: Mr. Rehwinkel, correct me if I am
20 wrong, but it's to contraction of the economy for,
21 is it two consecutive --

22 CHAIRMAN CLARK: Two consecutive --

23 MR. BREW: -- or three consecutive quarters?

24 CHAIRMAN CLARK: Two consecutive quarters is
25 my understanding. We've had that -- we've actually

1 had that happen, is that correct?

2 MR. BREW: That is the information that Mr.
3 Moyle got from the National Bureau of Economic
4 Research.

5 CHAIRMAN CLARK: Real GDP, and both the first
6 and second quarter was negative?

7 MR. BREW: That's my understanding from Mr.
8 Moyle.

9 CHAIRMAN CLARK: Okay. Commissioner Brown, I
10 see your hand up real quick.

11 COMMISSIONER BROWN: Thank you.

12 Just for clarification to our legal staff. Do
13 we need to approve the third stipulation as a fact?
14 Do we need to vote on it? And then with regard to
15 the other two, do we need to approve -- move and
16 approve them as evidence?

17 CHAIRMAN CLARK: My understanding is that we
18 don't need to vote on that as an issue, but it can
19 be entered in as evidence, and -- and whether it
20 could be argued as fact or not, I guess would be
21 another point; is that correct, Mr. Hetrick?

22 MR. HETRICK: Yes. The point is just to get
23 this in the record, not that anybody agrees with
24 the statements being made.

25 CHAIRMAN CLARK: Okay. Great.

1 Commissioner Polmann.

2 COMMISSIONER POLMANN: Thank you, Mr.

3 Chairman.

4 Mr. Brew, could you please restate the source
5 that Mr. Moyle references? I am not clear that
6 that's a complete citation from --

7 MR. BREW: What I have, Commissioners, is the
8 National Bureau of Economic Research, is what I
9 have from a text from Mr. Moyle.

10 MR. REHWINKEL: Mr. Chairman, I -- I'm not
11 exactly sure what the parties are trying to do in
12 terms of referring to this as a fact. I understand
13 the U.S., about a definition, and I believe that
14 the Commissioners can -- can use their own
15 knowledge, or -- or seek their own source of
16 information as to the definition of a recession. I
17 don't have a problem with that. But I -- I think
18 that the parties are -- are trying to put into the
19 record a fact. I -- I would take that to mean at a
20 point in time.

21 The way it's written is a fact as of today, is
22 the only way I can read it, because it's being put
23 into the record now. You asked the question about
24 the definition, and -- and that's with respect to
25 two quarters. I take that to mean the calendar

1 quarters.

2 I am just trying to understand how we
3 establish a fact, and I will stop there, because
4 Commissioner Graham has his hand up.

5 CHAIRMAN CLARK: Yes, Commissioner Graham,
6 hold on one second. Mr. Hetrick is trying to get
7 something in from --

8 MR. HETRICK: Yes, to both Commissioners Brown
9 and Polmann, as any evidence that comes in here, it
10 is -- it is fact evidence, the Commission can give
11 it the weight it deserves. You know, it has
12 discretion to evaluate my viability of that
13 evidence, and that's where it begins and ends.

14 So it's not the be all end all. It's
15 something that simply the parties stipulate to have
16 it come into the record. That's all.

17 CHAIRMAN CLARK: Agreed.

18 Commissioner Graham.

19 COMMISSIONER GRAHAM: You took the words right
20 out of my mouth.

21 CHAIRMAN CLARK: Thank you.

22 Commissioner Fay, did you -- you had your hand
23 up a second ago, I thought.

24 COMMISSIONER FAY: It's been addressed. I am
25 fine, Mr. Chairman. Thank you.

1 CHAIRMAN CLARK: Okay.

2 MR. REHWINKEL: Mr. Chairman.

3 CHAIRMAN CLARK: Mr. Rehwinkel.

4 MR. REHWINKEL: Yeah, just to, I think,
5 hopefully put oil on the water on this. I -- I
6 know that Mr. Moyle asked that the parties agree to
7 stipulate this fact into the record, because Mr.
8 Moyle wants us to make a citation or an argument
9 and the brief, and he did not want to improperly
10 cite to record evidence are without a basis. So
11 it's really, truly so he can -- he can rely on this
12 in his argument.

13 And I agree with Mr. Hetrick. The Commission
14 can decide whether to accept the facts the fact in
15 its deliberation and give it the weight it
16 deserves. So that is his whole -- his whole
17 purpose in having it in the record.

18 CHAIRMAN CLARK: Agreed.

19 Okay. All right. Well, we have the three
20 stipulations. All the parties have agreed to
21 these, so we are -- we are good there, correct?
22 Let me get some head nods. We are all in
23 agreement, right? No objections.

24 All right. Seeing no objections, let's move
25 on. I guess we are going to do Witness Polich, we

1 are going to have summaries -- three-minute
2 summaries from each of the witnesses. We will
3 swear them in, move in any exhibits they've got to
4 move into the record, and we should be done pretty
5 quickly.

6 Ms. Triplett. I am sorry, it's not your
7 witness. It's Mr. Rehwinkel's witness, Mr. Polich.

8 MR. REHWINKEL: Yes. Yes, Mr. Chairman. And
9 Mr. Polich has been given five minutes, I believe,
10 by the prehearing --

11 CHAIRMAN CLARK: Split it and let's have
12 four --

13 MR. REHWINKEL: -- it that way, and so I hope
14 the time will be acceptable to the -- to the panel.

15 Mr. Chairman, the Public Counsel calls Richard
16 A. Polich to the record -- to the -- to the virtual
17 stand.

18 CHAIRMAN CLARK: Thank you.

19 Mr. Polich, would you raise your right hand,
20 please, and repeat after me?

21 Whereupon,

22 RICHARD A. POLICH
23 was called as a witness, having been first duly sworn to
24 speak the truth, the whole truth, and nothing but the
25 truth, was examined and testified as follows:

1 THE WITNESS: I do.

2 CHAIRMAN CLARK: Thank you, sir.

3 Mr. Rehwinkel.

4 MR. REHWINKEL: Yes.

5 EXAMINATION

6 BY MR. REHWINKEL:

7 Q Please state your name and address, and on
8 whose behalf you are testifying, please.

9 A Yes. My name is Richard A. Polich. I work
10 for GDS Associates. My address is 1815 Parkway Place,
11 Atlanta, Georgia -- Marietta, Georgia, make that
12 Marietta, Georgia, and I am presiding on behalf of the
13 OPC.

14 Q Mr. Polich, did you cause to be filed on
15 May 28th, 2020, direct testimony consisting of 36 pages?

16 A Yes, I did.

17 Q And at the same time, did you also cause to be
18 filed nine exhibits designated RAP-1 through RAP-9?

19 A Yes, I did.

20 Q Okay. Do you have any corrections to make to
21 that testimony?

22 A Yes, I do.

23 MR. REHWINKEL: Mr. Chairman, before Mr.

24 Polich makes his corrections, I would just like to
25 note, we can -- we can go through this and he can

1 go through the lines. I have provided the errata
2 sheet to all parties and staff, and even to the
3 court reporter. He can go through it if he
4 wants --

5 CHAIRMAN CLARK: We -- unless.

6 MR. REHWINKEL: -- or we can all agree that
7 it's stipulated into the record.

8 CHAIRMAN CLARK: I think we can all agree to
9 stipulate it into the record, unless I hear an
10 objection from someone. I hear no objection, it is
11 stipulated into the record.

12 MR. REHWINKEL: Okay. Thank you.

13 BY MR. REHWINKEL:

14 Q Having entered those corrections into the
15 record, if I asked you the questions remaining in your
16 testimony today, would your answers, as amended, be the
17 same?

18 A Yes, they would be.

19 Q Do you have any corrections or changes to make
20 to your exhibits?

21 A Only Exhibit 9 needs to be deleted.

22 Q Okay. Thank you.

23 MR. REHWINKEL: Mr. Chairman, I would ask that
24 Mr. Polich's testimony, as amended, be entered into
25 the record as though read, and Exhibits RAP-1

1 through 8 be identified at this time as Hearing
2 Exhibits 9 through 16.

3 CHAIRMAN CLARK: So ordered.

4 (Whereupon, prefiled direct testimony, as
5 amended, was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: 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.)

Docket No. 20190140-EI

FILED: May 28, 2020

(CONFIDENTIAL VERSION)

DIRECT TESTIMONY

OF

RICHARD A. POLICH, P.E. (STATE OF MICHIGAN)

ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL

J. R. Kelly
Public Counsel

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of the State of Florida

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EXHIBITS

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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. My name is Richard A. Polich. I am a Managing Director at GDS Associates, Inc. ("GDS"). My business address is 1850 Parkway Place, Suite 800, Marietta, Georgia, 30067.

Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AT GDS ASSOCIATES?

A. My primary duties are within GDS's Power Supply Planning Department. While employed by GDS, I have provided consulting services for areas such as:

- Generation Asset Management,
- Engineering analysis of generation projects,
- Engineering evaluation of waste to energy projects,
- Energy management consulting services,
- Nuclear decommissioning cost evaluation,
- Modular nuclear project cost evaluation,
- Renewable energy project cost assessment and economic evaluation,
- Testimony on rate of return, cost of service, regulatory disallowances, determination of prudence, revenue requirements and plant in service, and
- Review of generation project design and construction.

Q. MR. POLICH, PLEASE SUMMARIZE YOUR FORMAL EDUCATION.

A. I graduated from the University of Michigan - Ann Arbor in August 1979 with a Bachelor of Science Engineering Degree in Nuclear Engineering and a Bachelor of Science Engineering Degree in Mechanical Engineering.

1 **Q. PLEASE BRIEFLY DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

2 A. I have over 40 years of work experience in the energy sector, performing duties
3 and services for a myriad of companies and organizations, and representing the
4 interests of private and public constituencies throughout the country.

5 In May 1978, I joined Commonwealth Associates, Inc., located in Jackson,
6 Michigan, as a Graduate Engineer and worked on several plant modification and
7 new plant construction projects.

8 In May 1979, I joined Consumers Power Inc., (now called Consumers
9 Energy), located in Jackson, Michigan, as an Associate Engineer in the Plant
10 Engineering Services Department.

11 In April 1980, I transferred to the Midland Nuclear Project and progressed
12 through various job classifications to Senior Engineer. I was also part of a small
13 team that evaluated the potential to repower the nuclear steam turbine with
14 combustion turbines. One of my responsibilities was to provide the initial thermal
15 design for the combined cycle project, utilizing one of the two existing nuclear
16 steam turbines while still providing process steam for Dow Chemical Company.
17 This project is now known as the Midland Cogeneration Venture, a 12-combustion
18 turbine and steam turbine project capable of providing 1,633 MW of capacity.

19 In July 1987, I transferred to the Market Services Department as a Senior
20 Engineer and reached the level of Senior Market Representative. While in this
21 department, I analyzed the economic and engineering feasibility of customer
22 cogeneration projects.

1 In July 1992, I transferred to the Rates and Regulatory Affairs Department
2 of Consumers Energy as a Principal Rate Analyst. In that capacity, I performed
3 studies relating to all facets of development and design of Consumers Energy's
4 gas, retail, electric and electric wholesale rates. During this period, I was heavily
5 involved in the development of Consumers Energy's Direct Access program and
6 in the development of Consumers Energy's Retail Open Access program. I also
7 participated in the development of Consumers Energy's revenue forecast.

8 In March 1998, I joined Nordic Energy, LLC ("Nordic"), located in Ann
9 Arbor, Michigan, as Vice President in charge of marketing and sales. My
10 responsibilities included all aspects of obtaining new customers and enabling
11 Nordic to supply electricity to those customers. In May 2000, my responsibilities
12 shifted to Operations and Regulatory Affairs and my responsibilities included
13 management of supply purchases, transmission services, and development of new
14 power projects. My Regulatory Affairs responsibilities also included overseeing
15 regulatory and legislation issues for the company.

16 In March 2003, I formed Energy Options & Solutions, based in Ann Arbor,
17 Michigan, as a consulting concern focusing on providing engineering services and
18 regulatory support. Through my work with Energy Options & Solutions, I gained
19 extensive experience consulting in the areas of project development and economic
20 analysis with renewable energy companies across the country, including: Noble
21 Environmental Power located in Centerbrook, Connecticut; Third Planet
22 Windpower, LLC located in Palm Beach Gardens, Florida; TradeWind Energy,
23 LLC located in Lenexa, Kansas; Windlab Developments USA located in

1 Canberra, Australian Capital Territory, Australia; and Matinee Energy Inc. located
2 in Tucson, Arizona, among others.

3 Other examples of my consulting work include evaluation of the Arkansas
4 Weatherization Assistance Program for the Arkansas Energy Office and providing
5 the West Michigan Business Alliance with an evaluation of the business
6 opportunities for Western Michigan businesses in the renewable energy business
7 sector.

8 In 2007, I served as primary author of a report on the economic impacts of
9 renewable portfolio standards and energy efficiency programs for the Department
10 of Environmental Quality – State of Michigan.

11 In 2011, I joined KEMA, Inc. (“KEMA”) located in Burlington,
12 Massachusetts, as a Service Line Leader responsible for developing its renewable
13 energy consulting business. While at KEMA, I performed multiple renewable
14 energy studies for the Electric Power Research Institute, including a renewable
15 energy options study for the country of Saint Maarten (a constituent country of
16 the Kingdom of the Netherlands). I also assisted Lake Erie Energy Development
17 Corporation in its successful application to the U.S. Department of Energy for a
18 multi-million dollar grant to develop an offshore wind project in Lake Erie.

19 In 2013, I joined CLEAResult, located in Little Rock, Arkansas, as
20 Director of Operations. My primary responsibility involved supporting program
21 operations in assisting the company’s Arkansas unit to successfully meet a 400%
22 increase in energy efficiency goals that it managed for Entergy. I was also

1 responsible for managing the company's natural gas energy efficiency programs
2 in the State of Oklahoma.

3 In 2015, I joined the Georgia office of GDS Associates, Inc., a consulting
4 group focusing on utility engineering and consulting services, as Managing
5 Director.

6 I have been a registered Professional Engineer since 1983 and I am
7 licensed in the State of Michigan.

8 My resume is included as Exhibit No. RAP-1.

9
10 **Q. HAVE YOU TESTIFIED IN OTHER REGULATORY PROCEEDINGS?**

11 A. Yes, Exhibit No. RAP-2 contains a list of regulatory proceedings in which I have
12 provided testimony.

13
14 **Q. WHAT IS THE NATURE OF YOUR BUSINESS?**

15 A. GDS Associates, Inc. ("GDS") is an engineering and consulting firm with offices
16 in Marietta, Georgia; Austin, Texas; Corpus Christi, Texas; Manchester, New
17 Hampshire; Madison, Wisconsin; Manchester, Maine; and Auburn, Alabama.
18 GDS provides a variety of services to the electric utility industry including power
19 supply planning, generation support services, rates and regulatory consulting,
20 financial analysis, load forecasting and statistical services. Generation support
21 services provided by GDS include fossil and nuclear plant monitoring, plant
22 ownership feasibility studies, plant management audits, production cost modeling
23 and expert testimony on matters relating to plant management, construction,

1 licensing and performance issues in technical litigation and regulatory
2 proceedings.

3

4 **Q. WHOM DO YOU REPRESENT IN THIS PROCEEDING?**

5 A. I am representing the Florida Office of Public Counsel (“OPC”).

6

7 **Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?**

8 A. I was asked by the OPC to conduct a review and evaluation of the
9 Decommissioning Services Agreement between Duke Energy Florida, LLC, and
10 ADP CR3 and ADP SF1, LLC (“DSA”) and to recommend whether additional
11 customer protections were needed.

12

13 **Q. DID OTHER GDS PERSONNEL ASSIST YOU IN THE ANALYSIS AND**
14 **DEVELOPMENT OF YOUR TESTIMONY IN THIS MATTER?**

15 A. Yes, Dr. William Jacobs provided assistance.

16

17 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

18 A. Yes, I am sponsoring the following exhibits:

- 19 1. Exhibit No. RAP-1 Richard A. Polich, P.E. Resume
20 2. Exhibit No. RAP-2) Richard Polich Regulatory Testimony List
21 3. Exhibit No. RAP-3 ADP organization Structure
22 4. Exhibit No. RAP-4 DEF Response to Citizens Interrogatory 5.a.
23 5. Exhibit No. RAP-5 DEF Response to Citizens Interrogatory 5.e.

- 1 6. Exhibit No. RAP-6 NorthStar Group Holdings, LLC and NorthStar Group
2 Services, Inc. financial Statements
- 3 7. Exhibit No. RAP-7 NorthStar Financial Hardship Accessible Capital
- 4 8. Exhibit No. RAP-8 DEF Response to Citizens Interrogatory 16.
- 5 ~~9. Exhibit No. RAP-9 Contractor Provisional Trust Funding Levels~~

6 **II. TESTIMONY SUMMARY**

7 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

8 A. First, Duke Energy Florida, LLC's ("DEF") decision to change the Crystal River
9 3 nuclear power plant's ("CR3") decommissioning status from SAFSTOR to
10 active decommissioning and demolition ("DECON") and the negotiation of the
11 DSA is commendable. Second, the potential for excess Nuclear Decommissioning
12 Trust Funds ("NDF") of over \$100 million to be potentially returned to DEF
13 ratepayers when the CR3 DECON process is complete, is also commendable.
14 Third, the recommended customer protections in the form of enhancements
15 contained in my testimony are intended to mitigate potential risk and enhance the
16 probability of a successful CR3 decommissioning under the deal DEF has
17 negotiated. None of the recommended enhancements should cause detriment to
18 the finances of this project or the entities involved. The customer protection
19 enhancements are generally consistent with accounting principles that recognize
20 contractual financial commitments. The recommended enhancements proposed in
21 this testimony are as follows:

- 22 1. Amend the Parental Support Agreement to include the State of
23 Florida as a beneficiary and with the same rights as the NRC,

- 1 ~~2. Require the parent companies of ADP to maintain a minimum cash~~
2 ~~or cash equivalent asset in the amount of at least \$105 million to~~
3 ~~support the Parental Support Agreement;~~
4 3. Modify the Contractor's Provisional Trust contributions from
5 ~~monthly payments to NorthStar to increase it from 6% to 10% of~~
6 ~~payments;~~
7 2 X Amend the ADP CR3 reporting requirements contained in
8 Attachment 9, Section B from Quarterly to Monthly and enhance the
9 information to provide timely insight into conditions that could
10 impair ADP's ability to complete the job. This includes establishing
11 reporting requirements to the Florida Public Service Commission
12 ("Commission"), and
13 3 X Establish an Independent Monitor to oversee the CR3
14 decommissioning activities and ADPCR3's financial status.
15

16 **III. CRYSTAL RIVER 3 DECOMMISSIONING OVERVIEW**

17 **Q. PLEASE DESCRIBE IN GENERAL TERMS WHAT IS THE NUCLEAR**
18 **DECOMMISSIONING TRUST FUND (NDF) AND HOW IT IS FUNDED.**

19 **A.** The NDF for CR3 was required by federal law for the purpose of providing
20 reasonable financial assurance that funds will be available for the future cost of
21 safe decommissioning of a nuclear plant when it reaches the end of its useful life.
22 While the requirement to establish the fund was a creature of federal law, the
23 authorization to fund it was the responsibility of the Commission. The
24 Commission approved an annual accrual based on periodic decommissioning
25 studies performed by DEF and its predecessors. The cost recovery of this NDF-
26 specific accrual for the NDF was incorporated into the revenue requirement and
27 rate design imposed on DEF's customers beginning in 1989 and continued as

1 periodically modified by Commission orders in rate cases until 2002. Through a
2 series of decisions, the overall cost of decommissioning has been effectively
3 provisioned through approved accruals and establishment of rates since
4 commercial operation in 1977. The recoveries of these accumulated costs in the
5 form of customer provided cash were all ultimately included in the funded balance
6 of the NDF. In 2002, DEF asked the Commission to discontinue the accrual since
7 the NDF was deemed to be fully funded to meet the projected costs of
8 decommissioning and dismantling the plant. At all times, the funding was
9 provided by DEF's customers. Approximately 90% of the NDF funding was
10 provided by the retail customers within the rate setting jurisdiction of the
11 Commission. Wholesale customers (joint owners) provided funding on a
12 proportional basis under other arrangements. In any event, all funding was
13 provided by customers of DEF who received electricity produced by CR3.

14

15 **Q. ARE THE CUSTOMERS WHO PROVIDED THE FUNDING FOR THE**
16 **NDF AND RECEIVED THE ELECTRICITY GENERATED BY CR3**
17 **MORE LIKELY OR INCREASINGLY LESS LIKELY TO BE THE ONES**
18 **WHO WOULD BE CALLED UPON TO COVER THE COST OF FAILURE**
19 **IN THE CURRENT PROPOSAL PRESENTED IN THIS DOCKET?**

20 **A.** There are increasingly significant intergenerational equity issues related to the
21 proposal before the Commission in this docket. I believe that the Commission
22 should keep this in mind when considering whether customer protections are
23 needed. As I discussed earlier, as far back as 1977 DEF customers began to cover

1 future decommissioning costs through the payment of rates and had these
2 payments deposited into the NDF. This was part of the cost of the electricity they
3 consumed. This monthly deposit of funds by these customers continued up until
4 2002, when the explicit deposit was discontinued by the Commission. However,
5 in order to preserve the intended purchasing power of the fund, the money that
6 these customers had deposited over the years as a part of paying for the electricity
7 they consumed still continued to build the fund through the investment earnings
8 on their money that was deposited and set aside to dismantle the plant. In 2009,
9 CR3 was damaged and stopped generating electricity, through no fault of the
10 customers. From that period forward, the DEF retail customer base has become
11 increasingly different from the customer base who paid for the NDF that is now
12 going to be used to dismantle the plant that has not generated electricity for 11
13 years and counting. It has now been 18 years since any customer deposits were
14 made into the fund. By the time the DECON is supposed to be substantially
15 complete in 2038, it will have been almost 30 years since any electricity was
16 generated by CR3 and will have been almost 37 years since any funds (other than
17 investment earnings) were deposited into the NDF. These periods represent a
18 significant overall generational gap between the beneficiaries of CR3's electrical
19 generation and the potential cost imposition that could occur if the DECON is
20 ultimately not successful and a return to SAFSTOR is made but the NDF is
21 insufficient to complete ~~SAFSTOR~~ ^{SAFSTOR} decommissioning and dismantlement. In that
22 event, a whole new generation of customers would be required to contribute to the
23 NDF to meet legal requirements for safe decommissioning and dismantlement and

1 site restoration. It should also be kept in mind that the current general body of
2 DEF customers have already begun paying for future dismantlement of the
3 generating units, such as the Citrus Combined Cycle generating facility and the
4 Solar generating facilities, that were built to replace the approximately 1,000 MW
5 of generation that was lost when CR3 was irreparably damaged and prematurely
6 retired.

7
8 **Q. PLEASE DESCRIBE THE STATUS OF CRYSTAL RIVER 3 NUCLEAR**
9 **POWER PLANT OWNED BY DUKE ENERGY FLORIDA, LLC.**

10 A. CR3 is a single unit pressurized light water reactor supplied by Babcock
11 and Wilcox, capable of producing 860 MW, which entered service in March
12 1977. The plant ceased generating in September 2009 during a planned
13 maintenance and refueling outage and thereafter due to a construction
14 accident, and was placed in extended shutdown on May 28, 2011 and retired
15 in February 2013.

16
17 **Q. WHAT IS THE CURRENT STATUS OF CR3**
18 **DECOMMISSIONING?**

19 A. CR3 is in the decommissioning mode SAFSTOR for 60 years as defined in
20 Nuclear Regulatory Commission ("NRC") rules and regulations. Under
21 SAFSTOR, the plant is first placed in a safe and stable condition, with the
22 intent to complete decommissioning and site restoration activities by the
23 end of 2074. DEF placed the plant in this form of decommissioning because,

1 at the time CR3 was retired, DEF's analysis of decommissioning costs
2 determined the costs of decommissioning at that time would exceed the
3 funds contained in CR3's NDF. DEF intended to keep CR3 in the
4 SAFSTOR mode until the NDF funds were sufficient to complete
5 decommissioning.

6
7 **Q. WHAT IS DEF'S REVISED DECOMMISSIONING STRATEGY?**

8 A. As explained in DEF's witness Terry Hobbs' testimony, page 8, lines 18 –
9 22, DEF changed the CR3 decommissioning strategy from SAFSTOR to
10 accelerated decontamination and dismantlement ("DECON") in May 2019.
11 The change in CR3 decommissioning strategy was the result of a
12 reassessment of decommissioning costs which found the costs to have
13 significantly dropped due to recent methods used in the process and that
14 they could be covered by the amount of funds in the NDF.

15
16 **Q. HOW DID DEF CONFIRM THE DECON STRATEGY COULD BE**
17 **ACCOMPLISHED WITHIN THE CURRENT NDF FUNDING**
18 **LEVELS?**

19 A. DEF conducted a competitive bidding process, resulting in four (4)
20 proposals. Ultimately, DEF selected one vendor team to proceed with
21 contract negotiations with Accelerated Decommissioning Partners, LLC
22 ("ADP").

1 **Q. WHAT WAS THE RESULT OF NEGOTIATIONS WITH ADP?**

2 A. DEF entered into a Decommissioning Services Agreement (“DSA”) with
3 ADP subsidiaries ADP CR3, LLC (“ADPCR3”) and ADP SF1, LLC
4 (“ADPSF1”). Under the structure of the DSA:

- 5 1. DEF will own the plant property and equipment,
6 2. DEF will continue to own and control withdrawals from the NDF,
7 3. The Independent Spent Fuel Storage Installation (“ISFSI”) will be owned
8 by ADPSF1 and responsible for spent fuel management,
9 4. CR3’s Operating license will be transferred to ADPCR3, and
10 5. ADPC3 will be responsible for performing the DECON of CR3 by 2027.

11

12 **Q. HAS THE NRC APPROVED THE OPERATING AND ISFSI**
13 **LICENSE TRANSFER?**

14 A. Yes, the NRC approved the transfer of the ISFSI license to ADPSF1 and
15 CR3’s operating license to ADPCR3 on April 1, 2020, subject to all
16 regulatory approvals being completed within one year of the NRC’s order.

17

18 **IV. ADP ORGANIZATIONAL STRUCTURE**

19 **Q. DESCRIBE THE ADP ORGANIZATIONAL STRUCTURE**
20 **ASSOCIATED WITH CR3 DECON.**

21 A. The ADP organizational structure associated with performing the CR3
22 DECON is shown in Exhibit No. ____ (RAP-3). ADP is 75% owned by
23 NorthStar Group Services, Inc. (“NorthStar”) and 25% owned by Orano

Decommissioning Holdings, LLC (“Orano”). NorthStar is owned by LVI Parent Corporation which is ultimately owned by an equity fund of JFL-NGS Holdings. ADP owns the ADPCR3 and ADPSF1 which will perform the DECON work and manage the ISFSI facilities at CR3. Orano is owned by Orano USA LLC which is owned by Orano SA, a nuclear conglomerate majority owned by the French government.

Q. WHAT IS NORTHSTAR’S ROLE IN THE CR3 DECON PROCESS?

A. Based on information contained in the DSA, NRC filings, testimony and other documents provided in discovery, NorthStar will perform project management, arrange for subcontracting as needed and perform a large majority of the DECON work.

Q. WHAT IS ORANO’S ROLE IN THE CR3 DECON PROCESS?

A. Orano’s primary task is the segmentation of the nuclear reactor pressure vessel and vessel internals. As discussed in the testimony of ADP’s witness (and CEO), Scott E. State, on page 9, lines 1-3, Orano will also support management of the ISFSI facility and the transfer of the fuel to DOE.

V. DSA OVERVIEW

Q. WHAT IS YOUR ASSESSMENT OF THE DSA?

A. The structure of the CR3 DECON and the DSA negotiated by DEF has the potential to be a benefit to DEF’s ratepayers; the biggest benefit being

1 moving the decommissioning date of CR3 up over 40 years, not including
2 final spent fuel disposal. The key portions of the proposed CR3 DECON
3 include the following:

- 4 1. DEF maintains control over the NDF,
- 5 2. ADP has agreed to, what I refer to as, a semi-fixed contract of \$540
6 million to perform all DECON work except final spent fuel disposal,
- 7 3. Contractor's Provisional Trust ("CPT") that starts at \$20 million and
8 will grow to \$50 million through earnings on the trust and contributions
9 of 6% of each monthly milestone payment,
- 10 4. Parent Guaranty of \$140 million by NorthStar (75% or \$105 million)
11 and Orano (25% or \$35 million),
- 12 5. Letter of Credit in the amount of \$20 million to be issued by ADP in the
13 event Milestone One (Milestone One is defined in the DSA¹) is not
14 reached by January 2029,
- 15 6. Payment structure based upon predetermined completion of specific
16 tasks or portions of those tasks,
- 17 7. ADPCR3 subcontractors required to post performance bonds.

18 Although the DSA contains several terms designed to mitigate potential
19 financial risk, risk still exists because of the financial structure of NorthStar
20 and its obligation on other nuclear decommissioning projects. The question
21 is whether it is an acceptable level of risk.

¹ "Milestone One" means that (a) Contractor has submitted Partial License Termination Application to the NRC; and (b) the ISFSI-Only Interim End-State Conditions have been satisfied. This essentially means all decommissioning activities of CR3 are virtually complete except for maintenance of the ISFSI.

1 **Q. IS YOUR CONCERN WITH ADP'S FINANCES STRICTLY**
2 **FOCUSED ON NORTHSTAR?**

3 A. Yes. Orano is backed by a large corporation and, ultimately, the French
4 government. This, combined with Orano's limited scope of work,
5 significantly reduces the financial concern for Orano.

6

7 **VI. ASSESSMENT OF NORTHSTAR FINANCIAL CONDITION**

8 **Q. DID DEF HAVE CONCERNS REGARDING NORTHSTAR'S**
9 **FINANCIAL CONDITION?**

10 A. Yes. In response to Citizens of the State of Florida's ("Citizens")
11 Interrogatory 5.a. (Exhibit No. ____ (RAP-4), DEF stated its evaluation of
12 NorthStar to be below investment grade. In addition, in response to
13 Citizens' Interrogatory 5.e. (Exhibit No. ____ (RAP-5), DEF identified the
14 large scale of NorthStar's projects (other than the pending CR3 project), in
15 relationship to NorthStar's size, to be a risk factor.

16

17 **Q. WHAT NORTHSTAR FINANCIAL DOCUMENTS HAVE BEEN**
18 **PROVIDED FOR YOUR REVIEW?**

19 A. In response to Citizens' first request for Production of Documents ("POD"),
20 DEF provided the following confidential financial statements (See Exhibit
21 No. ____ (RAP-6):

22 1. North Star Group Services, Inc.

1 a. Consolidated Financial Statements Years Ended December 31, 2015
2 and 2014

3 b. Consolidated Financial Statements and Supplemental Schedule as
4 of December 31, 2019 and 2018

5 2. NorthStar Group Holdings, LLC

6 a. Consolidated Financial Statements as of December 31, 2017 and for
7 the period from June 12, 2017 (date of acquisition) to December 31,
8 2017,

9 b. Consolidated Financial Statements and Supplemental Schedule as
10 of December 31, 2018 and 2017 and Year Ended December 31, 2018
11 and for the period from June 12, 2017 (date of acquisition) to
12 December 31, 2017,

13 c. Consolidated Financial Statements and Supplemental Schedule as
14 of December 31, 2019 and 2018.

15 Neither NorthStar's nor NorthStar Group Holdings, LLC's financial records
16 for 2016 were provided.

17

18 **Q. WHAT CHANGE IN NORTHSTAR GROUP HOLDINGS, LLC.**
19 **OWNERSHIP OCCURRED IN 2017?**

20 A. NorthStar Group Holdings, LLC., the parent organization of NorthStar, was
21 merged into JFL-NGS Partners, LLC on June 12, 2017. JFL-NGS Partners
22 is controlled by JFLNGS Holdings, LLC, which is controlled by JFL GP
23 Investors IV, LLC. Ultimately, control is exercised by four U.S. citizens,

1 John F. Lehman, Louis N. Mintz, Stephen L. Brooks, and C. Alexander
2 Harman, who are the managing members of JFL GP Investors IV, LLC.
3 Based on documents filed with the NRC in Docket Nos. 50-271 & 72-59,
4 in regard to the license transfer of Vermont Yankee Nuclear Power Station
5 from Entergy to NorthStar Decommissioning Company, LLC, the purpose
6 of the merger transaction, as to the surviving entity, was stated as:
7 "...recapitalized, including both the investment of new capital and the
8 conversion of certain debt to equity, in a transaction that improved the
9 company's liquidity and financial condition." This ownership change
10 resulted in the NorthStar portion of the organizational structure shown in
11 Exhibit No. ____ (RAP-3).

12
13 **Q. WHAT ACQUISITION OCCURRED IN 2018 THAT HAS THE**
14 **POTENTIAL TO AFFECT NORTHSTAR'S NUCLEAR**
15 **DECOMMISSIONING WORK?**

16 **A.** On January 26, 2018, J.F. Lehman & Company, the ultimate parent of
17 NorthStar, acquired Waste Control Specialists LLC. ("WCS"). WCS
18 operates the most comprehensive set of low-level radioactive waste
19 treatment, storage and disposal facilities to service the needs of the U.S.
20 nuclear industry. Mr. Scott E. State is also the Chief Executive Officer of
21 WCS. WCS' waste facility in Andrews County, Texas, is one of the few
22 commercial facilities in the United States licensed to dispose of Class A, B
23 and C Low-level Radioactive Waste (LLRW). WCS, in partnership with

1 Orano USA, has also formed a partnership, called Interim Storage Partners,
2 and has filed with the NRC for a license to construct a consolidated interim
3 storage facility (CISF) for used nuclear fuel at the existing WCS disposal
4 site in Andrews County, Texas.

5
6 **Q. WHAT CHANGE IN NORTHSTAR OCCURRED IN 2019 THAT**
7 **SIGNIFICANTLY IMPACTED NORTHSTAR'S FINANCIAL**
8 **STATEMENTS?**

9 A. On January 11, 2019, NorthStar acquired 100% ownership of Vermont
10 Yankee Nuclear Power Station ("VYNP") through its subsidiary NorthStar
11 Decommissioning Holdings, LLC. This acquisition significantly impacted
12 NorthStar's balance sheet by increasing its assets and liabilities by 233%.

13
14 **Q. BASED ON YOUR REVIEW OF NORTHSTAR AND NORTHSTAR**
15 **GROUP HOLDINGS, LLC FINANCIAL RECORDS, ARE THERE**
16 **ANY DISCERNABLE DIFFERENCES IN THE TWO COMPANIES'**
17 **FINANCES?**

18 A. No. Financial records were provided for both NorthStar and NorthStar
19 Group Holdings, LLC only for years 2018 and 2019. Comparisons of the
20 balance sheets and income statements finds less than 0.1% difference in the
21 account balances of the two companies' financial records. This indicates
22 that NorthStar's owner, LVI Parent Corporation ("LVI"), a subsidiary of
23 NorthStar Group Holdings, LLC, has virtually no impact on NorthStar

1 Group Holdings, LLC financial statements and NorthStar is the main asset
2 of NorthStar Group Holdings, LLC. Several of the footnotes in the financial
3 statements are identical for both companies. In fact, the footnote on the
4 acquisition of Vermont Yankee Nuclear Power Station is identical in both
5 statements, including ownership interest. For this reason, my review of
6 NorthStar's financial situation will treat NorthStar and NorthStar Groups
7 Holdings, LLC as the same entity.

8
9 **Q. IN PERFORMING YOUR ASSESSMENT OF NORTHSTAR'S**
10 **FINANCIAL SITUATION, WHAT ADJUSTMENTS WERE MADE**
11 **TO ITS BALANCE SHEET ASSETS?**

12 A. My assessment of NorthStar focused on its ability to weather financial loss,
13 unexpected loss on other decommissioning projects ^{, such} ~~(such~~ as VYNP
14 decommissioning, or unfavorable economic conditions. These conditions of
15 will cause "financial hardship," a condition in which a company may be
16 required to utilize available assets to ^{meet its immediate} ~~meet immediate its~~ financial needs.
17 NorthStar's recent acquisition of VYNP was a significant purchase and
18 includes significant liabilities, causing NorthStar's balance sheet to more
19 than triple in size. The size and scope of the VYNP decommissioning
20 project carries real risks and could create financial hardship for NorthStar.

21
22 There are items in NorthStar's balance sheet which in times of financial
23 stress are not useful and cannot be used to help liquidity. For example,

1 companies can often sell receivables to generate cash. On the other hand,
2 Goodwill is an intangible asset that is the left over portion from an
3 acquisition in which the purchase price is higher than the fair market value
4 of the purchase. Typically, Goodwill is amortized over some period as the
5 value of the acquired asset is realized. In the case of NorthStar, the Goodwill
6 on its balance sheet has actually increased since 2014 and was not written
7 off when it was acquired by JFL-NGS Partners, LLC in 2017. The items in
8 NorthStar's Balance sheet which would likely not be usable in the event of
9 financial stress are as follows:

- 10 1. Accounts Receivable: These are amounts owed by clients and are a
11 tangible asset; however, the full amount of these funds may not be
12 accessible in time of financial stress. Based on NorthStar's 2019
13 Consolidated Financial Statements, Footnote 2, the company has
14 included recognition of doubtful collection on accounts receivable in the
15 amounts contained in the statements. In times of financial stress, the
16 ability to collect accounts receivable in support of operations cannot be
17 done in a timely manner due to contractual commitments. In addition,
18 accounts receivable is a function of work being performed and, unless
19 NorthStar was to stop work on existing projects, accounts receivable
20 will continue at the same level. Thus, the use of accounts receivable to
21 fund operations in times of financial stress is not fully feasible. It is for
22 this reason I have only valued accounts receivable at 60% of the full
23 amount for purposes of financial hardship.

- 1 2. Costs and estimated earnings in excess of billings on uncompleted
2 contracts. These are forecasted earnings which may never materialize.
3 Value is treated as zero for purposes of financial hardship.
- 4 3. Inventories: This asset represents the cost of materials and tools used to
5 provide services to clients. The value of these assets in the event of
6 financial stress is usually much lower than the booked asset value. Some
7 of the materials may be linked to credit purchases and are not
8 marketable. Value is treated as 20% for purposes of financial hardship.
- 9 4. Property and Equipment: This asset could potentially be collateralized
10 in times of financial hardship, but not likely at full value. Review of
11 financial statement footnote 5 finds over 97% of this asset category is
12 in equipment and vehicles. It is unlikely these assets will have
13 significant value if needed for raising capital in the event of financial
14 stress. Value is treated as 20% for purposes of financial hardship.
- 15 5. Goodwill: Intangible asset. Value is treated as zero for purposes of
16 financial hardship.
- 17 6. Intangible assets – net: Described as assets recognized in connection
18 with the acquisition of a business in NorthStar financial statements.
19 Value is treated as zero for purposes of financial hardship.
- 20 7. Restricted Cash: This is an escrow balance required under the terms of
21 the VYNP acquisition which may not be accessible unless certain
22 milestones are met. Value is treated as zero for purposes of financial
23 hardship.

1 8. Decommissioning Trust Fund: This is the VYNP Nuclear
2 Decommissioning Trust Fund. Although this is a cash asset, it is not
3 liquid because of NRC restrictions on its use and the time process
4 required to transfer the asset value to another entity. Value is treated as
5 zero for purposes of financial hardship.

6 9. Reimbursements due from U.S. Department of Energy: As part of the
7 acquisition of VYNP, NorthStar was provided the rights to obtain
8 reimbursement for spent fuel storage and management from the U.S.
9 Department of Energy ("DOE"). To obtain these funds, NorthStar must
10 sue the DOE and go through the courts to obtain the funds. Value is
11 treated as zero for purposes of financial hardship.

12 10. Deferred Income Tax: This can only be utilized in the form of delayed
13 filing of current income taxes that will ultimately be paid to the United
14 States Treasury. Value is treated as zero for purposes of financial
15 hardship.

16

17 **Q. IN PERFORMING YOUR ASSESSMENT OF NORTHSTAR'S**
18 **FINANCIAL SITUATION, WHAT ADJUSTMENTS WERE MADE**
19 **TO ITS BALANCE SHEET LIABILITIES?**

20 A. Regarding NorthStar's balance sheet liabilities, the major concern would be
21 current liabilities because these are likely to be called on in the event of
22 financial hardship. The only real long-term liability that presents a concern
23 would be the potential for covenants within long-term financing obligations,

1 requiring early payment in the event of triggering financial conditions.
2 Based on the balance sheet notes, NorthStar's current "Credit Facility" has
3 a security interest in substantially all of NorthStar's assets and those of its
4 subsidiaries. Since this is the same footnote and the amount is the same in
5 the financial statements of both NorthStar and NorthStar Group Holdings,
6 LLC, it is unclear which entity entered into the credit agreement. What is
7 clear is that the Credit Facility will encumber NorthStar's ability to use
8 assets to raise cash in the event of financial hardship. I did not make any
9 adjustments in NorthStar's current liabilities and assigned 50% of its long-
10 term finance obligations as a current asset to recognize its encumbrance on
11 assets.

12

13 **Q. WHAT IS YOUR OPINION OF NORTHSTAR'S FINANCIAL**
14 **SITUATION BASED ON YOUR EXPERIENCE AND EXPERTISE?**

15 A. A review of NorthStar's financial condition finds it is a thinly capitalized
16 company with minimal tangible assets, significant liabilities and lower than
17 expected net income as compared to the level of revenue. NorthStar's
18 financial situation has changed substantially since 2014. The financial
19 statements in 2014 and 2015 show NorthStar with negative net income and
20 shareholder equity. If the nearly \$139 million of Goodwill and over \$42
21 million of Intangible Assets are properly ignored, NorthStar's shareholder's
22 equity is approximately a negative \$300 million. The financial statements
23 from 2017 are intended to reflect the financial conditions after the

1 acquisition by JFL-NGS Partners, LLC. If intangible assets and Goodwill
2 are removed from NorthStar Group Holdings, LLC's balance sheet, then
3 Member's 2017 equity is a negative \$88.4 million. Of NorthStar Group
4 Holdings, LLC's 2018 total assets, only about 9.4% would be considered
5 liquid assets. In addition, current liabilities are 3.4 times larger than liquid
6 assets. NorthStar's 2018 income statement shows its net income was only
7 approximately 1.28% of \$503.8 million in revenues.

8
9 In 2019, NorthStar's financials did reflect a substantial increase in net
10 income of over ten times the 2018 net income. Net income in 2019 was
11 10.4% of approximately \$640 million of revenues. This resulted in
12 NorthStar reflecting over \$69 million in Cash & Cash Equivalents (or a
13 doubling of its previous Cash & Cash Equivalents) on its 2019 financials.
14 Nevertheless, when compared to its projected nuclear decommissioning
15 work on two pioneering projects totaling over \$1 billion, NorthStar appears
16 to be thinly capitalized.

17 Based upon the adjustments to NorthStar's balance sheet shown in Exhibit
18 No. ____ (RAP-7) and given the scope and potential risks of the DECON
19 work required over the next few years, NorthStar is inadequately
20 capitalized, especially in relationship to its project sizes. My review shows
21 current liabilities exceed available capital in the event of financial hardship
22 for all years of NorthStar's financials. Under financial hardship, my analysis
23 of NorthStar's 2019 financials indicate cash or cash equivalent available to

1 cover costs in an emergency is negative by more than \$52 million (Exhibit
2 No. ____ (RAP-7), page 1). Even if I change my assumptions and allow 100%
3 of accounts receivable to be available, NorthStar's 2019 financials indicate
4 cash or cash equivalent available to cover costs in an emergency is just over
5 \$7 million (Exhibit No. ____ (RAP-7), page 2). This does not include the
6 restrictions on assets associated with NorthStar's Credit Facility and raises
7 a concern regarding NorthStar's ability to continue funding
8 decommissioning work at CR3 in the event of financial hardship.

9
10 ~~Q. DO YOU HAVE OTHER CONCERNS REGARDING~~
11 ~~NORTHSTAR'S FINANCIAL SITUATION, ESPECIALLY IN~~
12 ~~REGARD TO THE DSA?~~

13 ~~A. Yes. The DSA does not place any restrictions on the balance sheet of~~
14 ~~NorthStar even though the DSA is relying on Parental Guarantees in the~~
15 ~~amount of \$140 million to support ADPCR3 DECON. If called upon today,~~
16 ~~NorthStar would not be able to meet the obligations of its Parental~~
17 ~~Guarantee because its balance sheet lacks sufficient current net assets~~
18 ~~(current assets minus current liabilities). Without a covenant in the DSA~~
19 ~~which requires NorthStar to maintain a certain level of net current or liquid~~
20 ~~assets, NorthStar could dividend the equivalent of substantially all of its~~
21 ~~cash and cash equivalent assets (except restricted cash) to its parent~~
22 ~~company and neither DEF, ADPCR3, nor the NRC, would not have access~~
23 ~~to any the Parental Guarantee funds or work resources.~~

1

2 ~~Q. DO YOU HAVE AN EXAMPLE OF NORTHSTAR MOVING FUNDS~~

3 ~~TO ITS PARENT?~~

4 ~~A. Yes. Review of NorthStar's 2019 Consolidated Statement of Cash Flows~~

5 ~~shows NorthStar distributed \$50 million to its members.~~

6

7 **VII. RECOMMENDED CUSTOMER PROTECTIONS TO DSA**

8 **Q. BASED UPON YOUR REVIEW OF NORTHSTAR'S FINANCIAL**
9 **SITUATION AND THE DSA, WHAT PROVISIONS WOULD YOU**
10 **RECOMMEND TO PROVIDE ADDITIONAL RATEPAYER**
11 **PROTECTION?**

12 A. The following recommendations are based upon NorthStar's financial
13 situation and intended to provide reasonable measures of protection for
14 ratepayers and enhance the probability of success of CR3 decommissioning:

15 1. Amend the Parental Support Agreement to include the State of Florida
16 as a beneficiary and with the same rights as the NRC.

17 ~~2. Require the parent companies of ADP to maintain a minimum cash or~~
18 ~~cash equivalent asset in the amount of at least \$105 million to support~~
19 ~~the Parental Support Agreement.~~

20 ~~3. Modify the Contractor's Provisional Trust contributions from monthly~~
21 ~~payments to NorthStar to increase it from 6% to 10% of payments.~~

22 **2 X** Amend the ADP CR3 reporting requirements contained in Attachment
23 9, Section B from Quarterly to Monthly and enhance the information to

1 provide timely insight into conditions that could impair ADP's ability
2 to complete the contract. This includes establishing monthly and annual
3 reporting requirements to the Commission.

4 ~~3~~ ~~5X~~ Establish an Independent Monitor to oversee the CR3 decommissioning
5 activities and ADPCR3's financial status.
6

7 **Q. PLEASE EXPLAIN THE PURPOSE OF INCLUDING THE STATE**
8 **OF FLORIDA AS A BENEFICIARY AND WITH THE SAME**
9 **RIGHTS AS THE NRC IN THE PARENTAL SUPPORT**
10 **AGREEMENT.**

11 A. The Parental Support Agreement contained in Exhibit H-1 and H-2 of the
12 DSA explicitly states there is no guarantee to third parties other than the
13 NRC of payment of decommissioning costs for CR3. The funding for CR3's
14 decommissioning was provided solely by DEF ratepayer contributions to
15 CR3's NDF. NRC regulations establish requirements of the license holder
16 to fund decommissioning; however, the Commission established the
17 charges to DEF ratepayers to fund the NDF. Since the Commission, as a
18 representative of the State of Florida, is responsible for setting up the
19 funding of the NDF and ultimately the funding of CR3 decommissioning,
20 the State of Florida should have equal treatment in the Parental Support
21 Agreements with that of the NRC. Adding the State of Florida should not
22 cause any additional financial burden on NorthStar or Orano nor should it
23 increase the cost of the Parental Support Agreements. Additional reasons

1 for The State of Florida to be a beneficiary in the Parental Guarantee
2 Agreement are as follows:

- 3 1. The State of Florida has a vested interest in CR3 being properly
4 decommissioned because of the potential environmental impact and
5 impact on public health and safety.
- 6 2. If the decommissioning of CR3 by ADP and its affiliates is not
7 performed as projected, resulting in depletion of the NDF and the need
8 for additional funding from DEF's ratepayers, any request by DEF for
9 additional funding by its ratepayers will have to be approved by the
10 Commission.
- 11 3. State of Florida regulatory agencies, specifically the Commission, are
12 in a better position to monitor the status of CR3 decommissioning on a
13 more frequent basis than the NRC. We are recommending the
14 Commission receive quarterly and annual reports from ADP that
15 include decommissioning status, status of NDF funds and financial
16 condition of ADP, its subsidiaries and its parent organizations. The
17 recommended reporting would provide the State of Florida more timely
18 information than is provided to the NRC since the NRC only requires
19 an annual report.
- 20 4. DEF has placed itself in the position of overseeing ADP's
21 decommissioning of CR3. The State of Florida's regulation of DEF
22 provides it the ability to obtain information on a regular basis.

1 5. This provision would allow the State of Florida to require ADP to
2 provide decommissioning funding of up to \$140 million through the two
3 Parental Support Agreements.

4 The State of Vermont required an amendment to the Parental Support
5 Agreement approved by the NRC for VYNP, prior to approving the transfer
6 of ownership to NorthStar, and NorthStar agreed to this amendment.

7

8 ~~Q. WHAT WOULD BE THE BENEFIT TO DEF'S RATEPAYERS OF~~
9 ~~REQUIRING THE PARENT COMPANIES OF ADP TO MAINTAIN~~
10 ~~A MINIMUM CASH OR CASH EQUIVALENT BALANCE SHEET~~
11 ~~ASSET IN THE COMBINED AMOUNT OF APPROXIMATELY~~
12 ~~\$140 MILLION TO SUPPORT THE PARENTAL SUPPORT~~
13 ~~AGREEMENT?~~

14 ~~A. The Parental Support Agreement is only worth the value of ADP's parent~~
15 ~~companies. If ADP's parent companies are without assets, then the \$140~~
16 ~~million of decommissioning funding is unavailable and worthless. There is~~
17 ~~nothing in the DSA nor is there any legal requirement for ADP's parent~~
18 ~~companies to maintain a minimum level of cash or accessible assets to~~
19 ~~support the Parental Support Agreement. As discussed earlier, DEF~~
20 ~~ratepayers in general, and specifically a generation of ratepayers completely~~
21 ~~different from those who received the electricity from CR3, could be placed~~
22 ~~in the position of providing additional funding (essentially paying twice) to~~
23 ~~complete CR3's decommissioning if the ADP companies fail to complete~~

1 ~~CR3 decommissioning. At a minimum, the Parental Support Agreements~~
2 ~~should contain a trigger requiring NorthStar and Orano to notify the State~~
3 ~~of Florida and the NRC if cash or cash equivalent assets fall below a~~
4 ~~predetermined level needed to provide the amounts obligated in the Parental~~
5 ~~Support Agreements to be used for CR3 decommissioning.~~

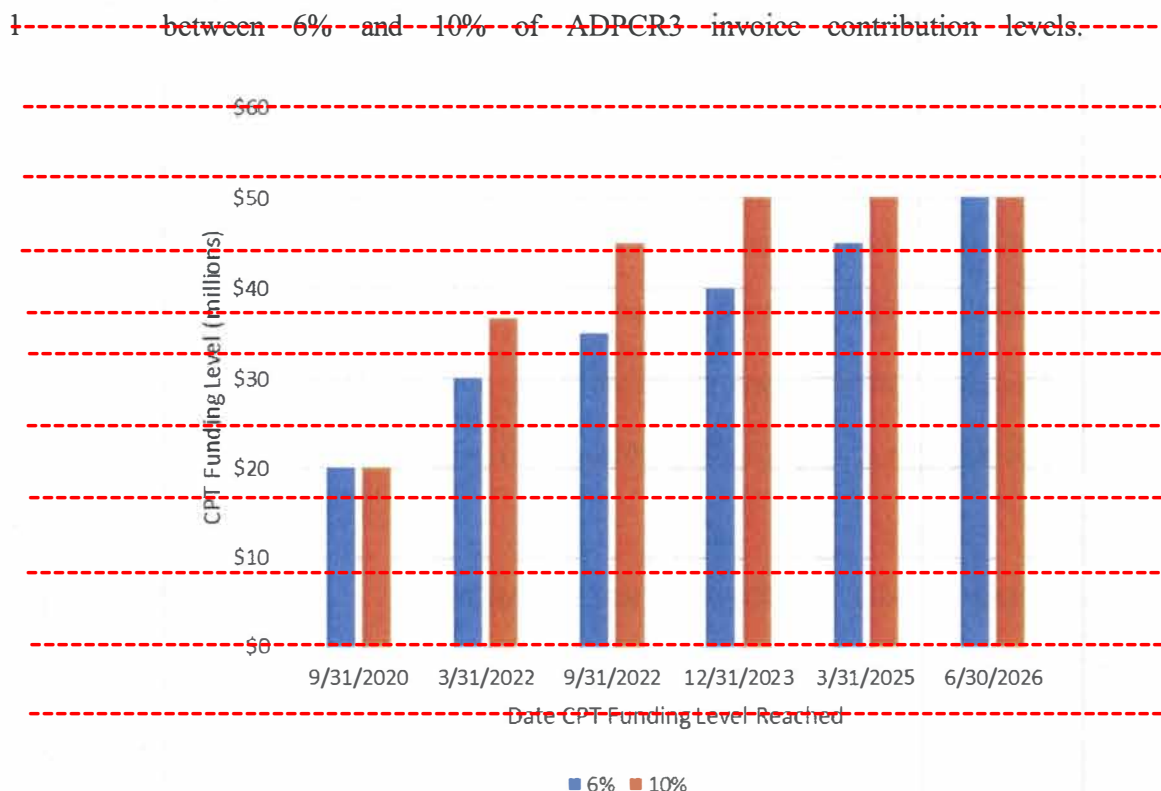
6
7 ~~Q. WOULD A REQUIREMENT FOR ADP'S PARENT~~
8 ~~ORGANIZATIONS TO MAINTAIN MINIMUM CASH OR CASH~~
9 ~~EQUIVALENT BALANCE SHEET ASSETS IN THE COMBINED~~
10 ~~AMOUNT OF APPROXIMATELY \$140 MILLION CAUSE~~
11 ~~FINANCIAL HARDSHIP FOR THE PARENT ORGANIZATIONS?~~

12 ~~A. No. A Parental Support Agreement is a contractual obligation which also~~
13 ~~creates a financial liability and should be recognized in the company's~~
14 ~~financial statements as a liability. If a balance sheet contains a liability, there~~
15 ~~needs to be an offsetting asset for the company to balance its books. By~~
16 ~~requiring ADP's parent companies to maintain a minimum cash or cash~~
17 ~~equivalent asset in the combined amount of approximately \$140 million~~
18 ~~should already be incorporated into their balance sheets. It would be prudent~~
19 ~~for the ADP parent companies to maintain some form of liquid asset~~
20 ~~because ADP could call upon the Parental Support Agreements at any time.~~

21
22 ~~Q. WHAT IS THE PURPOSE OF MODIFYING ADPCR3'S 6%~~
23 ~~CONTRIBUTIONS FROM MONTHLY PAYMENTS TO THE~~

1 **CONTRACTOR’S PROVISIONAL TRUST TO 10% OF**
2 **PAYMENTS?**

3 A. DEF has identified the \$50 million Contractor’s Provisional Trust (“CPT”)
4 as one of the key elements of risk mitigation in the proposed transaction
5 with the ADP companies. Initially, the CPT will only contain the original
6 deposit of \$20 million. Based on response to Citizens’ Interrogatory 16 (see
7 Exhibit No. RAP-8), the CPT will not reach \$50 million until after ADPCR3
8 has been paid approximately \$500 million, sometime in the second quarter
9 of 2026. Increasing the CPT percent contribution of ADPCR3 invoice
10 amounts from 6% to 10% would result in the CPT being fully funded by
11 sometime in the 4th quarter of 2023, approximately two years earlier than
12 forecasted with the 6% contribution of ADPCR3 invoice amounts. A
13 comparison of the CPT funding is provided in Exhibit No. RAP-9 and the
14 following chart shows a comparison of the timing of the CPT funding



8 Q. WHAT IS THE BENEFIT OF CHANGING ADPCR3'S
9 REPORTING REQUIREMENTS CONTAINED IN ATTACHMENT
10 9, SECTION B FROM QUARTERLY TO MONTHLY?

11 A. GDS' experience in monitoring the construction progress at Georgia
12 Power's Plant Vogtle Units 3 and 4 is that frequent reporting is essential to
13 the monitoring of a project's progress. Assuming ADPCR3 completes
14 decommissioning and site restoration by the end of 2027, this is an

1 aggressive schedule in which changes in site conditions, expenditures and
2 financial issues will occur quickly. Quarterly reporting is insufficient to
3 track a project progressing this quickly because, if the project conditions
4 deteriorate, it may be three months before that information would be made
5 available to DEF (and the Commission). Increasing the frequency of
6 reporting to monthly would provide DEF (and the Commission) the
7 opportunity to quickly identify problems and react accordingly.

8
9 **Q. WHAT ARE YOUR RECOMMENDED REPORTING**
10 **REQUIREMENTS TO THE COMMISSION?**

11 **A.** I recommend the Commission be supplied reports on the progress of CR3
12 decommissioning, status of funding, and financial condition of ADP and its
13 parent organizations. Reporting to the Commission supports the
14 Commission's regulatory efforts in regard to CR3, DEF and the CR3
15 decommissioning. It will provide the Commission critical information on
16 the progress of CR3 decommissioning, and will prevent any surprises. I
17 recommend the following elements be contained in the Commission
18 reporting:

- 19 1. Monthly reporting requirements except as noted below,
- 20 2. Project status, activities completed and projection of next quarter
21 activities,
- 22 3. Identification of any project delays and causes,
- 23 4. Payments from the NDF and projections for next monthly payments,

- 1 5. Status of the CPT,
- 2 6. Financial reports of ADP, ADP companies and ADP parents (Quarterly
- 3 Statements), and
- 4 7. Identification of critical issues and performance of ADP.

5

6 **Q. WHAT IS THE BENEFIT OF ESTABLISHING AN INDEPENDENT**
7 **MONITOR TO OVERSEE THE CR3 DECOMMISSIONING AND**
8 **ADPCR3 FINANCIAL STATUS.**

9 A. As the Georgia Public Service Commission discovered with respect to
10 Georgia Power's Plant Vogtle Units 3 and 4, use of an independent monitor
11 would provide the Commission and other State of Florida agencies an
12 independent assessment of CR3's decommissioning progress. The
13 independent monitor would provide an unbiased but experienced review of
14 the CR3 decommissioning effort. Although DEF will be monitoring the
15 project, the independent monitor is often able to perform assessments and
16 projections of project outcomes that the owner of the facility cannot without
17 the pressure of management or shareholder expectations. The primary
18 purpose of the independent monitor would be as follows:

- 19 • Providing an early warning of technical or regulatory problems.
- 20 • Estimating actual project expenditures relative to project revenue to
- 21 provide an early warning of financial difficulty.

- 1 • Ensuring that tasks are planned in accordance with the overall project
- 2 schedule and not selected for the purpose of increasing revenue to
- 3 ADPCR3.
- 4 • Tracking project expenditures and schedules.
- 5 • Reporting cost overruns.
- 6 • Reporting schedule slippage.
- 7 • Tracking, assessment, and reporting on ADP, NorthStar & Orano
- 8 financials.
- 9 • Tracking expenditures for Independent Spent Fuel Storage Installation
- 10 ("ISFSI") and recovery from DOE.

11

12 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

13 **A. Yes, it does.**

1 BY MR. REHWINKEL:

2 Q And, Mr. Polich, do you have a summary of your
3 testimony?

4 A Yes, I do.

5 Q Would you give that summary within the five
6 minutes allotted, please? Thank you.

7 A Thank you.

8 Good morning -- or good afternoon, Chairman --
9 Chairman and Commissioners.

10 The nuclear decommissioning trust fund, the
11 piggy-bank funding of Crystal River 3 decommissioning
12 was funded by Duke customers. The modification to the
13 Duke's proposed transaction for accomplishing Crystal
14 River 3's decommissioning I am presenting in my
15 testimony is intended it enhance the opportunity for
16 success of the decommissioning, and to protect future
17 Duke customers from incurring additional Crystal River 3
18 decommissioning costs, and to protect future customers
19 from -- I am sorry -- if the project does not proceed as
20 forecast.

21 Duke's decision to change decommissioning
22 status from safe store to active decommissioning is
23 projected to result in site restoration by 2027 instead
24 of 2074. Duke's revised decommissioning cost analysis
25 showed a substantial reduction in costs and found the

1 NDF more than sufficient funds available for
2 decommissioning.

3 If Crystal River 3 decommissioning proceeds as
4 planned, over \$100 million of NDF funds could
5 potentially returned to Duke ratepayers. The ADP
6 companies chosen by Duke to perform the Crystal River 3
7 decommissioning is a jointly owned subsidiary of
8 NorthStar and Orano.

9 Orano, formerly known as AREVA is a French
10 company with major ownership by the French Government.
11 NorthStar is a privately held company, ultimately owned
12 by a group of investors.

13 NorthStar's recent financial history includes
14 substantial recapitalization since 2017, some of which
15 is confidential. The first recapitalization occurred in
16 2017 as a result of NorthStar's merger with N -- with
17 GFL NGS partners. Additional information is noted in
18 NorthStar's 2019 financial statements, and can be seen
19 on page 99 of my exhibit RAP-6.

20 Based upon publicly available information, I
21 have concerns about NorthStar's financial situation
22 concerning the size of the Vermont Yankee nuclear
23 decommissioning project and the proposed Crystal River 3
24 decommissioning. Unfortunately this aspect of my
25 testimony is largely deemed confidential by Duke.

1 The issues raised in the portion of my
2 testimony Duke has claimed is confidential, especially
3 my testimony at page 16, exhibit RAP-6, pages 111
4 through 116, provide strong support for my concerns and
5 subsequent recommendation. And it is for these reasons
6 I originally made five recommendations for customer
7 protection enhancements to Duke's proposed transaction
8 to the ADP companies.

9 Subsequent to the revised filing of Mr. Jeff
10 Adix, the Florida Public of Office -- the Florida Office
11 of Public Counsel was provided a copy of the current
12 NorthStar credit agreement. This credit agreement
13 contains provisions and covenants which require
14 NorthStar to meet certain financial conditions which
15 show, in short, successful -- sufficient assets to
16 support the parental support agreement contained in the
17 DSA.

18 Due to the credit agreement, we are
19 withdrawing recommendations two and three. We feel
20 these recommendations are adequately covered by the
21 requirements of an agreement. The three remaining
22 enhancements are very minor revisions to the agreement
23 between Duke and ADP companies. My recommended
24 enhancements include the following:

25 Amend the parental support agreement to

1 include State of Florida as beneficiary with the same
2 rights as the NRC. The State of Florida should have the
3 same standing as the NRC since it was Florida ratepayers
4 that funded the NDF, and Florida agencies will be in a
5 better position than the NRC to monitor the
6 decommissioning process.

7 The second one is to amend the ADP quarterly
8 reporting requirements to monthly, and enhance the
9 information to provide timely insight into conditions
10 that would impair ADF -- ADP'S ability to complete the
11 job. This includes establishing reporting requirements
12 to the Florida Public Service Commission.

13 The third one is to establish an independent
14 monitor TO oversee Crystal River 3's decommissioning
15 activities and ADP's financial status. This would
16 provide this commission an independent and timely
17 assessment of CR3's decommissioning. The change in the
18 parental support agreement was readily approved in the
19 Vermont Yankee case.

20 Thank you.

21 CHAIRMAN CLARK: Thank you, Mr. Polich.

22 All right. Since there is no
23 cross-examination, no questions, Mr. Rehwinkel.

24 Where did you go?

25 MR. REHWINKEL: We would ask that -- we would

1 ask that Mr. Polich be excused, Commissioner.

2 Thank you.

3 CHAIRMAN CLARK: All right. Do you want to
4 enter his exhibits into the record, Mr. Rehwinkel?

5 MR. REHWINKEL: Yes. I -- I would ask that
6 Mr. Polich's exhibits RAP-1 through 8, as
7 identified as -- as Hearing Exhibits 9 through 16
8 be entered into the record.

9 CHAIRMAN CLARK: All right. Is that correct,
10 Ms. Helton?

11 All right. So ordered.

12 (Whereupon, Exhibit Nos. 9 - 16 were received
13 into evidence.)

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

15 CHAIRMAN CLARK: And, Mr. Polich, you are
16 dismissed.

17 (Witness excused.)

18 CHAIRMAN CLARK: All right. Next up Mr. Adix,
19 I believe. I can't find my sheet. Ms. Triplett, I
20 believe he is your witness, am I correct? Okay.

21 MS. TRIPLETT: Yes, sir. Duke Energy would
22 call Jeff Adix, and I see him up on the screen.

23 CHAIRMAN CLARK: All right. Mr. Adix, would
24 you raise your right hand, please, and repeat after
25 me?

1 Whereupon,

2 JEFF ADIX

3 was called as a witness, having been first duly sworn to
4 speak the truth, the whole truth, and nothing but the
5 truth, was examined and testified as follows:

6 THE WITNESS: I do.

7 CHAIRMAN CLARK: Thank you.

8 Your witness, Ms. Triplett.

9 MS. TRIPLETT: Thank you.

10 EXAMINATION

11 BY MS. TRIPLETT:

12 Q Would you please introduce yourself to the
13 Commission and provide your address?

14 A Yes. Good afternoon, Commissioners. My name
15 is Jeff Adix. My business address is 370 Seventh
16 Avenue, Suite 1803, New York, New York, 10001.

17 Q Thank you.

18 Who do you work for, and what is your
19 position?

20 A I am employed by NorthStar Group Services,
21 Inc., and I am the Vice-President and Chief Financial
22 Officer and Treasurer. I also serve as the
23 Vice-President and Chief Financial Officer for Waste
24 Control Specialists, LLC.

25 Q Thank you.

1 And have you filed rebuttal testimony and
2 exhibits in this proceeding?

3 A Yes, I have.

4 Q Do you have any changes to make to those?

5 A No, I do not.

6 Q If I asked you the same questions in your
7 rebuttal testimony today, would you give the same
8 answers that are in your prefiled rebuttal testimony?

9 A Yes.

10 MS. TRIPLETT: Mr. Chair, we would request
11 that the prefiled rebuttal testimony be entered
12 into the record as though read today.

13 CHAIRMAN CLARK: So ordered.

14 MS. TRIPLETT: Thank you.

15 (Whereupon, prefiled rebuttal testimony was
16 inserted.)

17

18

19

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23

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25

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY OF

3 JEFF ADIX

4 ON BEHALF OF

5 DUKE ENERGY FLORIDA

6 DOCKET NO. 20190140-EI

7 June 18, 2020

8

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

10 A. My name is Jeff Adix. My business address is 370 Seventh Avenue, Suite 1803 New
11 York, NY 10001.

12

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

14 A. I am employed by NorthStar Group Services, Inc. (“NorthStar”) as Vice President,
15 Chief Financial Officer, and Treasurer. I also serve as the Vice President and Chief
16 Financial Officer for Waste Control Specialists LLC (“WCS”).

17

18 **Q. Please describe your duties and responsibilities in those positions.**

19 A. I am responsible for all aspects of financial management, planning, and reporting for
20 those two companies. These responsibilities include working with the independent
21 auditors for the companies to validate that the financial reporting is presented
22 consistently with Generally Accepted Accounting Principles (“GAAP”) on an
23 ongoing basis. In addition, I am responsible for ensuring that GAAP is correctly

1 applied for new transactions, such as acquisition purchase accounting, and unique
2 technical GAAP applications such as NorthStar's Vermont Yankee transaction.
3 Along with regular management, board, and investor reporting, I am also responsible
4 for compliance reporting to the Companies' lenders, including recurring Financial
5 Officer Certifications of the fair presentation of the lender financial statements.

6

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

8 A. I graduated summa cum laude with a Bachelor of Science in Business Administration,
9 with degrees in Accounting, Corporate Finance, and Computer Information Systems,
10 from Drake University in 1989. I received a Master of Business Administration
11 degree in 2004 from the University of Wisconsin - Milwaukee. I am also a Certified
12 Public Accountant (Iowa – 006969). My professional experience includes more than
13 30 years of auditing, financial consulting, and financial management roles of
14 increasing responsibility. Past roles include accounting and financial analysis
15 positions in a global privately-held company (S.C. Johnson & Son), and divisional
16 Chief Financial Officer positions in multiple large global publicly-traded companies
17 (Fiserv, ManpowerGroup, and Veolia). My accounting knowledge and professional
18 judgment also allowed me to serve as the Chief Audit Executive of a \$20 billion
19 global publicly-traded company (ManpowerGroup). I joined NorthStar in my current
20 role in January 2016, adding the additional responsibility for WCS in December
21 2018. NorthStar and WCS are separate companies with a common controlling
22 investor. I started my career as a CPA at Arthur Andersen LLP, performing a

1 combination of auditing and financial consulting work and leaving as an Experienced
2 Manager. My complete resume is attached as Exhibit No. __ (JA-1).

3
4 **Q. What is the purpose of your testimony?**

5 A. The overall purpose of my testimony is to rebut OPC witness Rich Polich's incorrect
6 statements and conclusions regarding the need for "enhancements" to the
7 Decommissioning Service Agreement ("DSA") between Duke Energy Florida, LLC
8 ("DEF") and ADP CR3/ADP SF1, LLC ("the ADP Group"). Mr. Terry Hobbs is also
9 providing rebuttal testimony to respond to Mr. Polich's testimony. My testimony
10 focuses on Mr. Polich's incorrect statements, accounting interpretations, and
11 conclusions about NorthStar's financial statements and valuation. I will explain the
12 impact of the "enhancements" to the ADP Group's ability to successfully complete
13 the decommissioning of the Crystal River 3 nuclear plant ("CR3") on the terms
14 agreed with DEF. Finally, I will provide insight into the Vermont Yankee ("VY")
15 transaction, in which NorthStar participated and which Mr. Polich apparently draws
16 on for several of his recommended "enhancements." I would note that, if I do not
17 specifically address an aspect of Mr. Polich's testimony in my rebuttal testimony, it
18 does not mean that I agree with his testimony.

19
20 **Q. Please provide a summary of your testimony.**

21 A. The Commission should reject Mr. Polich's suggestions that the DSA needs
22 "enhancements" to protect DEF's customers. There are multiple protections already
23 included in the DSA, with the most important being that ADP is only being paid for

1 actual decommissioning milestones achieved. Mr. Polich has chosen to largely
2 disregard these protections and instead focus on one supplemental protection in the
3 DSA. His testimony and conclusions include multiple examples of misunderstood or
4 incorrect accounting information, incorrect statements about NorthStar's finances,
5 and he attempts to assess NorthStar's financial position on a hypothetical liquidation
6 basis vs. a going concern basis. Finally, where he has attempted to draw parallels to
7 NorthStar's Vermont Yankee transaction, these are taken out of context and do not
8 attempt to recognize differences in structures and circumstances.

9

10 **Q. Are you sponsoring any exhibits?**

11 A. Yes. I am sponsoring:

- 12 • Exhibit No. __ (JA-1) – Resume; and
- 13 • Exhibit No. __ (JA-2) – Excerpts from Mr. Polich's Deposition¹.

14 These exhibits are true and accurate.

15

16 **Transaction Overview**

17

18 **Q. First, please generally describe the DSA.**

19 A. The DSA is a fixed price contract pursuant to which the ADP Group, through its
20 affiliates ADP CR3 and ADP SF1, will decommission CR3 and take ownership of the
21 spent fuel. The DSA includes multiple provisions and protections to help ensure that
22 the ADP Group completes the project on budget and in the assumed timeframe

¹ The included excerpts are from the rough deposition transcript, because the final transcript was not available due to the limited time between the deposition and the filing of this testimony.

(approximately six and a half years). Mr. Terry Hobbs describes these contractual provisions, and the value and protection they provide to DEF's customers, in much greater detail. The DSA represents the result of a lengthy negotiation process and every provision as written in the DSA is important and cannot be isolated or otherwise changed, without changing other parts of the transaction. From a financial perspective, it is critical to note that the DSA was intentionally structured such that ADP is paid only for work completed against a negotiated schedule of values, and does not earn payment simply for incurring costs. In the unlikely event that ADP was unable to complete the decommissioning work for any reason, both DEF and the Florida customers are protected by the fact that DEF would have only paid for verified progress against specific decommissioning milestones, retaining all other funding in trust to support future alternatives.

Q. Considering the DSA structure, and key protections of only paying for decommissioning work completed, Mr. Polich still spends much of his testimony analyzing the NorthStar financial statements. What is your understanding as to why he spends so much time on this topic?

A. It appears Mr. Polich is focusing on one provision of the DSA, which is the provision obligating the parent companies of the ADP Group, NorthStar and Orano, to provide a parent guaranty to back up the obligations of the ADP Group in the event that the ADP Group fails to fulfill its obligations under the DSA. Considering the structure of the DSA, the parent guaranty is a supplemental enhancement rather than a core protection in the transaction structure. Mr. Polich is apparently attempting to redirect

1 attention from the broader DSA structure to undermining and questioning the
2 financial wherewithal of NorthStar, since it allegedly impacts the value of the parent
3 guaranty provision in the DSA. While Mr. Hobbs will testify to the overall DSA
4 structure in greater detail, Mr. Polich's approach makes several inaccurate statements
5 and reaches incorrect conclusions about the financial position and valuation of
6 NorthStar that need to be corrected and rebutted for the record.

7
8 **Q. Do you agree with Mr. Polich's testimony regarding NorthStar's financial**
9 **position?**

10 A. No, as I explain in detail below. But I wanted to first provide context for Mr. Polich's
11 testimony, and therefore my rebuttal testimony, since he is overly focused on one, of
12 many, provisions included in the DSA.

13

14 **Overview of NorthStar Financial Statements**

15

16 **Q. Is Mr. Polich a CPA?**

17 A. No, he does not indicate that he has any financial training on his resume. He appears
18 to be an engineer. I understand he testified during his deposition that he considers
19 courses taken while earning his MBA more than thirty years ago to be finance
20 training. He does not appear to have any recent experience or training in accounting
21 or finance, and a number of his conclusions are not financially credible.

22

1 **Q. Has Mr. Polich ever served as a financial executive, credit analyst, or an**
2 **auditor?**

3 A. No, his resume does not reflect any such previous work employment.

4

5 **Q. Based on Mr. Polich's testimony, do you believe he has a current and**
6 **comprehensive understanding of the specific accounting rules that govern the**
7 **creation of financial statements (GAAP)?**

8 A. No, Mr. Polich's testimony includes a number of factually inaccurate statements
9 about accounting, accounting principles, and financial statement presentation. For
10 example, he incorrectly characterizes goodwill as being created by " . . . an
11 acquisition in which the purchase price is higher than the fair market value of the
12 purchase." In reality, goodwill does not imply acquiring for more than fair value, but
13 instead represents the future economic benefits arising from other assets acquired in a
14 business combination that are not individually identified and separately recognized.
15 Despite Mr. Polich's assertion that goodwill is typically amortized, this has not been
16 the base treatment under U.S. GAAP since the relevant accounting standards were
17 changed in 2001. He finds it noteworthy in his testimony that goodwill was not
18 written off when NorthStar's ownership changed in 2017, when GAAP specifically
19 requires goodwill to be measured and reset to current values following an acquisition.

20

21 **Q. Are there other factual errors on accounting issues that you noted in Mr.**
22 **Polich's testimony?**

1 A. Yes, there are several such errors. First, I disagree with his characterization of “Cost
2 and estimated earnings in excess of billings on uncompleted contracts” (CIE) as
3 “estimated earnings that may never materialize.” That is incorrect. CIE is a common
4 financial statement line item for contractors following percentage of completion
5 accounting, and represents the value already earned on contracts, in accordance with
6 GAAP, that has not yet been invoiced to a client as of a reporting cut-off date. This
7 timing item also applies to work being invoiced on a time and materials basis, where
8 the time required to assemble the invoice falls past the reporting cut-off date. In
9 addition, Mr. Polich characterizes NorthStar’s deferred income tax asset as a “delayed
10 filing of current income taxes” that will ultimately be paid to the government. He
11 actually has this reversed and is providing a somewhat accurate description of a
12 deferred tax liability. The reported asset represents deductions available on future tax
13 returns that will reduce future cash income tax expense.

14 On page 24 of his testimony, Mr. Polich also testifies that he “assigned 50% of its
15 long-term finance obligations as a current asset to recognize its encumbrance on
16 assets.” Perhaps this is a typographical error, as it does not make sense as written and
17 is inconsistent with Exhibit RAP-7. Long-term financing obligations are non-current
18 liabilities, not current assets. Finally, Mr. Polich attempts to opine on the proper
19 accounting treatment for the Parent Support Agreement (“PSA”) under GAAP on
20 page 31 of his testimony. His conclusion that the PSA creates a liability that should
21 be recognized in a company’s financial statements is incorrect and not supported by
22 GAAP. From an accounting perspective, execution of the PSA creates a contingent
23 obligation with a remote probability of being called, and therefore is not appropriate

1 to recognize in financial statements presented under GAAP. His testimony attempts
2 to build further conclusions around pre-funding the PSA on top of this flawed
3 interpretation.

4
5 **Q. Are there other factual errors in Mr. Polich's testimony?**

6 A. Yes, in at least three different points in Mr. Polich's deposition he states that there are
7 no restrictions on NorthStar's ability to pay dividends to NorthStar's investors or
8 parent entities (p. 58, p. 120, p. 144 of my Exhibit No. __ (JA-2)). This apparently
9 important theme is explicitly false, with NorthStar's current lender credit agreement
10 explicitly prohibiting any such payments that would raise the Company's net leverage
11 ratio to greater than 2.00/1.00. In addition, on page 79 of his deposition Mr. Polich
12 testifies that Vermont Yankee generates a "significant amount of accounts receivable"
13 for NorthStar (See Exhibit No. __ (JA-2). In reality, Vermont Yankee generates no
14 accounts receivable under GAAP, as NorthStar already owns the source of payment.

15
16 **Q. How do these issues with Mr. Polich's testimony impact the credibility of the**
17 **remainder of his testimony?**

18 A. Mr. Polich draws a number of broad sweeping conclusions to reach his recommended
19 course of action and opines on NorthStar's financial situation based on his expertise.
20 Incorrect characterization of basic accounting principles, holding out inaccurate
21 financial information multiple times as fact, and representing accounting standards
22 that are out of date by nearly 20 years as current GAAP undermines the credibility of
23 the remaining financial review performed.

1

2 **Q. Beyond the factual misstatements and level of foundational financial and**
3 **accounting knowledge demonstrated, do you have other concerns about the**
4 **focus of and approach to Mr. Polich's testimony?**

5 A. Yes, consistent with earlier comments, I question whether sufficient rigor was applied
6 to understanding NorthStar's financial position in the context of the full DSA and
7 negotiated protections. The testimony adopted a much narrower approach of
8 primarily focusing on a hypothetical financial distress scenario to ask for \$105M of
9 incremental cash funding on a \$540M project and reduce working capital available to
10 support the work, ignoring the existing DSA protections negotiated by a sophisticated
11 counter-party that retained control of the funding source. There were also
12 inconsistencies in the testimony that suggested an unwillingness to objectively look at
13 the full context of the transaction. For example, Mr. Polich's testimony
14 acknowledged NorthStar's 2017 ownership change, with new equity invested and the
15 balance sheet deleveraged to improve the Company's financial position. This was
16 part of a conscious strategy to make the Company a more credible counter-party for
17 nuclear decommissioning transactions, and the Company has flourished for the last
18 three years under this capital structure, with steadily rising revenues and profitability.
19 Despite this known context, Mr. Polich continued to testify to financial results as old
20 as 2014, under different ownership and capital structure, as evidence of the
21 Company's forward-looking financial prospects.

22

1 **Q. Mr. Polich makes a sweeping assessment of NorthStar’s financial situation on**
2 **page 24 of his testimony. What is your response to that opinion?**

3 A. I completely disagree with his assessment.

4
5 **Q. From your perspective, what is the proper context for evaluating NorthStar’s**
6 **financial position?**

7 A. The Company should be evaluated as a going concern, and not on a hypothetical
8 liquidation salvage value. NorthStar generated \$640M of revenue in 2019, resulting
9 in \$67M of net income. Net cash generated from operating activities, defined
10 according to GAAP, was \$88M. In 2019 “Earnings before Interest, Taxes,
11 Depreciation, and Amortization” (EBITDA), a common financial measurement used
12 as a proxy for cash earnings, was \$112M, implying a market value of nearly \$1
13 billion or more using common earnings multiples for companies with similar profiles.
14 This is in contrast to the minimal or negative available resources calculated in Mr.
15 Polich’s hypothetical scenario. Despite continuing growth and the 2019 dividend
16 payment referenced by Mr. Polich, the Company remains conservatively leveraged,
17 with a net leverage ratio (Net debt / EBITDA) of only 1.2x at year-end 2019.
18 Consistent with my going concern testimony above, these results are sustained by
19 \$1.4 billion of reported revenue backlog entering 2020, and a larger pipeline of
20 additional opportunities. 2020 has continued the strong performance trends to date,
21 with both revenue and EBITDA up significantly compared to 2019 through the first
22 four months of 2020. Mr. Polich’s failure to acknowledge this full context, before

1 moving to a hypothetical “financial hardship” case, further reduces the credibility of
2 his conclusions in the full context of the transaction.

3
4 **Q. Can you clarify your basis for continuing to characterize Mr. Polich’s “financial
5 hardship” case as hypothetical?**

6 A. Yes, I summarized NorthStar’s current financial performance, leverage, and
7 approximate market value in my testimony above. Mr. Polich testified that his
8 assessment was focused on NorthStar’s ability to weather unfavorable economic
9 conditions or losses on other projects. NorthStar has demonstrated the ability to
10 maintain and raise financial performance through a period of 2020 that included one
11 of the most abrupt economic disruptions in the Country’s history, and NorthStar’s
12 performance and modest leverage provide the ability to raise debt and equity in an
13 orderly way to support the operations and valuation of the business if needed in the
14 future. Translating this backdrop to what is effectively a liquidation scenario as a
15 basis for making transaction recommendations is not a realistic scenario, particularly
16 in the full context of the DSA.

17

18 **Mr. Polich’s Suggested Enhancements are Not Necessary**

19

20 **Q. Have you reviewed the five recommended “enhancements” that Mr. Polich
21 advises the Commission to impose on this transaction?**

22 A. Yes, and I disagree with all of them. Mr. Hobbs will respond to them in more detail
23 in his rebuttal testimony, but I have a few additional points to make with respect to

1 why they are unnecessary for this transaction and based on incorrect information and
2 conclusions.

3

4 **Q. Mr. Polich states in his opening summary on page 7 that “None of the**
5 **recommended enhancements should cause detriment to the finances of this**
6 **project or the entities involved.” Do you agree with this statement?**

7 A. No, this statement is complete speculation and unsupported by any evidence.
8 NorthStar is one of the entities involved in this transaction, and imposition of these
9 “enhancements” would absolutely impact the overall finances of this transaction.
10 NorthStar and Orano formed the ADP Group and developed a specific and tailored
11 bid to decommission CR3. The resulting DSA, taken as a whole and without
12 changes, is the result of months of negotiation and give and take. What Mr. Polich is
13 couching as “enhancements” are really just changes and amendments to the deal, and
14 they do impact the overall project. Mr. Polich is also inconsistent on this point.
15 Despite his testimony of “no detriment to project finances,” when pressed in
16 deposition, Mr. Polich testified that these contract changes might be worth \$10M.
17 See page 149-150 of Exhibit No. __ (JA-2). This is an unsupported number, but
18 simply another example of Mr. Polich providing inaccurate or inconsistent assertions.

19

20 **Q. Can you give an example of how one of Mr. Polich’s suggested amendments**
21 **would impact NorthStar?**

22 A. Yes. As previously noted, Mr. Polich recommends that NorthStar be obligated to
23 maintain \$105M of cash or cash equivalent asset during this transaction. Suggesting

1 that tying up approximately 20% of a project's total revenue value up front, in cash,
2 should have no detrimental impact to project or entity finances further undercuts Mr.
3 Polich's credibility to speak as a financial expert. Capital has a cost, and this is a
4 material use of cash that was not contemplated in the transaction economics. In
5 addition, his argument for this point is based on a flawed accounting premise, as
6 previously discussed.

7 I would also note that Mr. Polich, during his deposition, refused to acknowledge that
8 this requirement would reduce resources available to complete the decommissioning
9 work. In another example of inconsistent and inaccurate testimony, he represented
10 multiple times that restricted cash or trust assets could be borrowed against (see pages
11 61, 119-20 of Exhibit No. __ (JA-2), while testifying in his deposition that the
12 existing Vermont Yankee trust funds should be assigned a value of zero in his
13 financial analysis. Beyond this inconsistency in his testimony, his testimony is also
14 inaccurate, as this type of borrowing is also prohibited by the Company's existing
15 credit agreement.

16

17 **Q. Do you have any other comments about Mr. Polich's suggested amendments?**

18 A. Yes, regarding the request to increase the retainage from six percent to ten percent, I
19 believe Mr. Polich fails to appreciate the significance of the \$30 million disposal
20 guarantee and the value that creates for DEF's customers. Waste disposal is a key
21 cost variable and risk in any decommissioning project, and the committed value of
22 this airspace directly offsets the cost of completing the project. I would also note that
23 Mr. Polich is wrong about the details of the VY transaction. He asserts that NorthStar

1 agreed to ten percent in that deal, but the ten percent retainage only starts after
2 NorthStar has taken \$100 million from that trust fund. By comparison, in this
3 transaction, the six percent retainage begins immediately. That is in addition to the
4 significant value of the initial \$50 million funding, including the disposal guarantee.
5 So with respect to this item, the CR3 transaction actually offers more upfront
6 protection, in a transaction structure where the counterparty retains control of the
7 decommissioning trust. Consistent with my previous testimony, he also
8 misrepresents the ability to borrow against these provisional trust assets and remains
9 inconsistent by stating that these assets remain available to the project despite
10 assigning zero value to the Vermont Yankee trust assets in his analysis.

11
12 **Q. Do you have any other comments on comparisons made to NorthStar's Vermont**
13 **Yankee transaction?**

14 A. Yes. Mr. Polich makes a number of comparisons between the CR3 structure and the
15 VY transaction. It appears he has selectively chosen certain terms from that
16 transaction to apply in this transaction without appropriate consideration of the full
17 context. There are key differences in the framework of the two deals that make the
18 CR3 deal more favorable for customers. First, in VY, there was no remaining utility
19 over which the Vermont PUC could regulate. Entergy is now completely out of the
20 state of Vermont. Accordingly, the state of Vermont had motivation to include
21 additional terms, including inclusion on the parent support guaranty with the NRC, as
22 they had reduced regulatory oversight over NorthStar compared to a public utility
23 company such as Entergy. By contrast, DEF is still the owner of CR3 and the FPSC

1 maintains regulatory oversight over DEF as a utility company. Second, in the VY
2 structure NorthStar owns the NDF, so there is no separate oversight (other than from
3 the NRC) of disbursements from the fund. In this transaction, DEF retains ownership
4 and control of the NDF. Mr. Hobbs more fully explains the value of this fact in his
5 testimony.

6 In addition, given that Mr. Polich suggested that NorthStar is over-extended because
7 of its work on VY and thus questioned NorthStar's ability to complete the CR3
8 decommissioning, I think it is important to provide an update on the status of the VY
9 decommissioning. NorthStar is currently on budget and on schedule with the
10 decommissioning after 1.5 years of completed work, with favorable regulatory
11 feedback and a perfect safety record to date. Despite Mr. Polich's attempts to
12 characterize Vermont Yankee as being dramatically different in scope or creating
13 undue financial risk for NorthStar, the work in Vermont generated only 16% of
14 NorthStar's 2019 revenue. NorthStar's successful track record on Vermont Yankee
15 underscores its credentials and reinforces its capabilities to participate in this
16 important project for DEF in a manner that will also be favorable to DEF's
17 customers.

18

19 **Q. Does that conclude your testimony?**

20 **A.** Yes.

21

22

23

1 BY MS. TRIPLETT:

2 Q Mr. Adix, could you please provide a brief
3 summary of your rebuttal testimony?

4 A Yes.

5 The purpose of my prefiled rebuttal testimony
6 is to rebut the testimony of OPC Witness Rich Polich.
7 Instead of opining on the multiple layers of customer
8 protection negotiated into the full decommissioning
9 services agreement, or DSA, between Duke Energy Florida,
10 DEF, and Accelerated Decommissioning Partners, ADP, Mr.
11 Polich's testimony narrowly focuses on a supplemental
12 protection in the agreement and includes a number of
13 incorrect statements and inappropriate assumptions as
14 part of arriving at a recommendation regarding the need
15 for changes framed as enhancements to the DSA.

16 My testimony focuses on financial aspects of
17 the DSA structure, and Mr. Polich's incorrect statement,
18 accounting interpretation and conclusion about the
19 financial statement, capacity and valuation of NorthStar
20 Group Services, Inc., NorthStar, one of two partners
21 that control ADP.

22 Due to the multiple protections in place in
23 the DSA, Mr. Polich's recommended changes are
24 unnecessary and would negatively impact ADP's ability to
25 successfully complete the decommissioning work of the

1 CR3 facility on the terms agreed in the DEF. Looking at
2 the structure of the DSA, it is important to note again
3 that ADP is only paid for work completed against
4 negotiated schedule of values, and does not earn payment
5 from the decommissioning trust simply for incurring
6 costs.

7 Therefore, in the unlikely event that ADP was
8 unable to complete the decommissioning work, DEF and its
9 Florida customers would be protected because ADP would
10 only have been paid for verified progress against
11 specific decommissioning milestones. All other funds
12 would be retained in the decommissioning trust to
13 support future alternatives, and DEF would also gain
14 control of an additional provisional trust established
15 at the commencement of the DSA.

16 In attempting to justify changes to the DSA
17 based on the financials of one of two partners for ADP,
18 Mr. Polich's testimony includes multiple examples of
19 misunderstood or incorrect accounting information and
20 deviations from Generally Accepted Accounting
21 Principles, along with other incorrect statements about
22 NorthStar's finances.

23 Mr. Polich is not a CPA, nor does his resume
24 reflect any work experience as a financial executive,
25 credit analyst or auditor. Portions of his testimony

1 inappropriately attempt to reflect NorthStar's financial
2 position on a, quote, hypothetical liquidation basis
3 versus a going concern basis. This overall approach was
4 the foundation for recommended changes to the DSA that
5 are unnecessary and would increase the risk of project
6 delays or inefficiencies.

7 Further, Mr. Polich's reliance on NorthStar's
8 Vermont Yankee decommissioning project as precedence for
9 some of the recommended changes to the DSA is misplaced.
10 There are key differences in the framework and context
11 of the Vermont Yankee deal and the proposed transaction
12 which make Mr. Polich's related proposed DSA changes
13 unnecessary here.

14 However, since the project has been included
15 in testimony, it is important to note that a
16 year-and-a-half -- after a year-and-a-half of work as
17 owner, NorthStar remains on budget and on schedule to
18 meet or outperform a 2026 date for decommissioning of
19 the Vermont Yankee plant, with favorable regulatory
20 feedback and a perfect safety record.

21 The successful track record on Vermont Yankee
22 combined with a solidly profitable and growing business
23 supports NorthStar's credentials to deliver on its
24 portion of the overall ADP commitment and protections
25 included in the DSA.

1 Q **Thank you, Mr. Adix.**

2 MS. TRIPLETT: And I can move exhibits at this
3 point since there will be no questions, Mr. Chair.

4 CHAIRMAN CLARK: Yes, ma'am, please.

5 MS. TRIPLETT: 18 and 19.

6 CHAIRMAN CLARK: All right. Those exhibits
7 are entered into the record.

8 (Whereupon, Exhibit Nos. 18-19 were received
9 into evidence.)

10 CHAIRMAN CLARK: Mr. Adix, thank you very much
11 for your testimony and for being here today.

12 Would you like your witness dismissed, Ms.
13 Triplett?

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

15 CHAIRMAN CLARK: You are dismissed. Thank
16 you.

17 THE WITNESS: Thank you, Commissioner.

18 (Witness excused.)

19 CHAIRMAN CLARK: All right. Next up on the
20 agenda is Witness Hobbs.

21 MS. TRIPLETT: Yes. We recall Mr. Hobbs to
22 the stand. I believe that you -- you swearing him
23 in yesterday would still apply.

24 CHAIRMAN CLARK: A reminder, Mr. Hobbs, you
25 are still under oath.

1 You may proceed.

2 Whereupon,

3 TERRY HOBBS

4 was recalled as a witness, having been previously duly
5 sworn to speak the truth, the whole truth, and nothing
6 but the truth, was examined and testified as follows:

7 EXAMINATION

8 BY MS. TRIPLETT:

9 Q **Mr. Hobbs, I am going to skip the**
10 **introduction.**

11 **Have you prefiled rebuttal testimony in this**
12 **proceeding?**

13 A Yes.

14 CHAIRMAN CLARK: Ms. Triplett, hold on one
15 second. We don't see Mr. Hobbs. Oh, I am sorry.
16 My bad, Mr. Hobbs. I am with you now. It's been a
17 long day.

18 THE WITNESS: You are telling me.

19 CHAIRMAN CLARK: You may proceed. I will wake
20 up next.

21 MS. TRIPLETT: Thank you, no problem.

22 BY MS. TRIPLETT:

23 Q **Have you -- have you -- have you filed**
24 **prefiled rebuttal testimony in this proceeding?**

25 A Yes, I have.

1 Q Do you have any changes to make to that
2 prefiled rebuttal testimony?

3 A No, I do not.

4 Q If I asked you the same questions in your
5 prefiled rebuttal testimony today, would you give the
6 same answers?

7 A Yes, I would.

8 MS. TRIPLETT: We request, Mr. Chair, that the
9 prefiled rebuttal testimony of Mr. Hobbs be entered
10 into the record as though read.

11 CHAIRMAN CLARK: So ordered.

12 MS. TRIPLETT: Thank you.

13 (Whereupon, prefiled rebuttal testimony was
14 inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

TERRY HOBBS

ON BEHALF OF

DUKE ENERGY FLORIDA

DOCKET NO. 20190140-EI

June 18, 2020

Q: Please state your name and title.

A: My name is Terry Hobbs. I am a Duke Energy Florida, LLC (“Duke Energy Florida” or “DEF”) employee and the General Manager in charge of the Crystal River Unit 3 (“CR3”) decommissioning project in Citrus County, Florida.

Q: Have you previously submitted testimony in this docket?

A: Yes.

Q: Have your job duties and responsibilities changed since you filed that testimony?

A: No.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to rebut the testimony of Mr. Richard Polich filed on behalf of the Office of Public Counsel on May 28, 2020. All defined terms used, but not

1 defined in my testimony, shall have the meaning ascribed to them in the
2 Decommissioning Services Agreement (“DSA”).

3
4 **Q: Are you sponsoring any exhibits?**

5 A: No.

6
7 **Q: Is DEF filing other rebuttal testimony related to the testimony of Richard Polich?**

8 A: Yes. Mr. Jeffrey Adix, NorthStar VP and Chief Financial Officer, is filing testimony to
9 more fully describe the financial structure of NorthStar, its obligations in the DSA
10 between DEF and ADP CR3 LLC (ADP CR3) and (ADP SF1), and its obligations related
11 to other nuclear decommissioning projects.

12
13 **Q: Please summarize your assessment of Mr. Polich’s testimony.**

14 A: Mr. Polich’s testimony is an attempt to cause DEF to re-negotiate the DSA with ADP
15 CR3 and ADP SF1 that was carefully negotiated to protect DEF and its customers at the
16 conclusion of a competitive bidding process. He acknowledges that accelerating the
17 decommissioning of the CR3 facility is beneficial to DEF’s customers but he then
18 introduces new components to the DSA that are unnecessary when considering the
19 benefits and protections provided to DEF customers in the DSA in its entirety. He further
20 makes the incredible and unsupported claim that “None of the recommended
21 enhancements should cause detriment to the finances of this project or the entities
22 involved.” Mr. Adix will further describe the real impacts to NorthStar and the project if
23 the Commission orders these recommendations to be added to the DSA.

1 The Commission should reject Mr. Polich's recommended "enhancements" because if the
2 Commission imposes any of these enhancements on the DSA, this transaction, as
3 contemplated by the DSA, will not close and DEF customers will not recognize the
4 significant benefits of this deal. To be clear, DEF could seek to renegotiate a new DSA
5 with ADP CR3, could perform another competitive bidding process over the next several
6 decades, or follow the original SAFSTOR method where the decommissioning project is
7 started in 2067, license termination is completed in 2073 and site restoration is completed
8 in 2074.

9
10 **Q: Why did DEF file this petition for approval of the transaction?**

11 A: Attachment 17 of the DSA defines the DEF and ADP CR3 Required Regulatory
12 Approvals that must be obtained in order to close the transaction. The first is approval
13 from the Nuclear Regulatory Commission ("NRC") of the transfer of the NRC license
14 from DEF to ADP CR3 on the Closing Date, which the NRC issued on April 1, 2020.
15 The second is the issuance of a favorable Private Letter Ruling from the Internal Revenue
16 Service (IRS) confirming (i) the DSA will not cause a disqualification, in whole or in
17 part, of the qualified trust fund maintained within the NDF and (ii) payments made from
18 the qualified trust fund maintained within the NDF pursuant to the DSA are a permissible
19 use of the NDF, which the IRS issued on January 15, 2020. The third is approval by this
20 Commission and is the last approval needed to close the transaction.

21
22 **Q: Please briefly describe the process DEF used to vet NorthStar and ADP CR3 and**
23 **ADP SF1 during the review.**

A: The vetting of NorthStar, ADP CR3 and ADP SF1 started with the Request for Information (RFI) process and continued through-out the pre-bid meetings/interactions, proposal bid evaluations and contract negotiations. DEF performed detailed reviews of NorthStar and ADP CR3 expertise and capabilities in pertinent areas important to successful and predictable execution of the CR3 decommissioning project including technical, commercial, financial and legal. Below is a sample list of the areas reviewed and evaluated by DEF to vet the NorthStar and ADP CR3 proposal, their capabilities, expertise, and previous experiences.

Technical approach as to how to decommission CR3 for the critical areas:

- Reactor Vessel and Internals Segmentation and Storage of HLW;
- Removal and Disposal of Large Components;
- ISFSI Operations;
- Site and Nuclear Security;
- Removal of All Sub-Surface Structures, Systems and Components (SSC);
- License Transfer and License Termination; and
- Site Restoration.

Capabilities and plans dealing with programs and processes needed for CR3 decommissioning:

- Emergency Preparedness;
- Engineering;
- Chemistry;
- Fire Protection;
- Nuclear Oversight/ Nuclear Safety Culture / Corrective Actions;

- Operations / Maintenance / Work Control;
- Security / Nuclear Security;
- Site License and Nuclear Regulatory Affairs;
- Site Support Services / Utilities Management / Training;
- Project management; and
- Spent fuel management.

Experience in decommissioning commercial and nuclear plants:

- Previous commercial and nuclear decommissioning of plants;
- Performing demolition and decommissioning activities;
- Performing site restoration activities;
- License termination; and
- Site release for unrestricted use activities.

Capabilities and expertise in regulatory management and licensing areas:

- Nuclear decommissioning licensing;
- Regulatory management;
- Stakeholder and community engagement;
- Environmental management; and
- Local, state, and federal regulations.

Expertise/Experience in radiological and waste handling:

- Radiological Protection Program;
- Waste handling and controls;
- Packaging, Staging, Transportation, Shipping;
- Waste water processing;

- 1 • Hazardous and radioactive waste;
- 2 • Security related requirements for nuclear waste; and
- 3 • Disposal options for contaminated waste.

4 Capabilities and expertise in industrial safety and environmental area:

- 5 • Environmental health and safety history;
- 6 • Adequacy and records of safety program;
- 7 • Adequacy and records of environmental program;
- 8 • Meeting DEF safety and environmental requirements; and
- 9 • Human performance and observation program.

10 Project schedule for decommissioning CR3:

- 11 • Identification of appropriate milestones;
- 12 • Reasonableness and achievable for meeting specification;
- 13 • Past projects estimate and performance;
- 14 • Guarantees to adhere to estimated schedule;
- 15 • Schedule not unnecessarily extend;
- 16 • Schedule not front-end-load simpler tasks;
- 17 • Addresses complex tasks; and
- 18 • Comprehensive and includes all task to license termination.

19 Project management and organization:

- 20 • Planning and preparation;
- 21 • Project organization and reporting;
- 22 • Key personnel and experience;
- 23 • Risk management;

- Operating Experience (OE) and lessons learned;
- Progress reporting;
- Sub-contractor; and
- Oversight.

In addition to the project team reviews described above, the Duke Energy Transaction Review Committee (“TRC”) reviews and recommends approval or disapproval of all projects that require approval by the Duke Energy President and Chief Executive Officer, the Duke Energy Board of Directors (“BOD”) or a committee of the BOD. The primary focuses of the TRC include:

- Economic valuation and benefits to the Corporation;
- Strategic rationale and alignment with the Corporations business and financial plans;
- Risks and mitigation; and
- Legal, environmental and regulatory implications.

The TRC is normally chaired by the Chief Risk Officer. The members of the committee are the designated members of the Senior Management Committee who are direct reports to the President and Chief Executive Officer of Duke Energy.

To assist the TRC in performing their reviews, a TRC scrub team is used. The scrub team is comprised of cross-functional subject matter experts from various areas of the Corporation. The scrub team includes representatives from:

- Accounting;
- Legal;
- Rates and regulatory strategy;

- Treasury;
- Risk management and insurance;
- Forecasting and financial planning;
- Environmental, health and safety;
- Project management center of excellence;
- Operational excellence;
- External affairs; and
- Supply chain.

The scrub team members begin their analysis of the project approximately one month prior to the project going before the TRC. The scrub team members work with the project team to gather all relevant information and get answers to their questions. The scrub team representative from risk management (including credit, market risk and insurance) is responsible to analyze and make recommendations based on the following:

- Construction and operational exposures are identified and quantified, as appropriate;
- Credit exposures are identified and quantified, as appropriate;
- Performance/technology risks are identified and quantified, as appropriate;
- Risks that could impact project/transaction budget or schedule are identified, as appropriate;
- Any other applicable risks/exposures are identified and quantified, as appropriate;
- Mitigation techniques/products are established to minimize risks and exposures;
- Market risk exposures and sensitivities are identified and quantified, as appropriate;

- 1 • Insurance requirements are identified and quantified, as appropriate; and
- 2 • Insurance coverage assumptions included in the economic models are appropriate
- 3 and reasonable.

4 The other scrub team members perform similar analyses in their area of expertise.

5 The analysis and recommendation of each scrub team member is reviewed by that

6 member's management before the scrub team member signs-off on the project prior to

7 the TRC meeting.

8 In March 2019, the TRC recommended that the DSA be approved given the protections,

9 risk mitigation and insurance requirements included in the DSA.

10

11 **Q: Did Duke Energy identify risk factors associated with NorthStar as part of the DSA**

12 **review and approval process?**

13 A: Yes. The Duke Energy subject matter experts identified various risk factors associated

14 with NorthStar Group Services and negotiated credit support mechanisms into the DSA

15 as a result. The Duke Energy subject matter experts determined that NorthStar's

16 financial condition is in line with peers involved in large scale demolition and

17 decommissioning projects. A credit review was performed on Orano USA LLC

18 ("Orano USA") and the same rating was assigned to Orano USA and NorthStar Group

19 Services. The subject matter experts concluded that the final negotiated financial

20 assurances in the DSA are adequate to support NorthStar's obligations under the DSA

21 given its financial condition and to adequately protect DEF and its customers. This

22 conclusion was supported by the percentage of completion payment method, the

23 Contractors Provisional Trust Fund, Parent Guarantees and credit reviews of NorthStar

1 Group Services Inc and Orano USA LLC that suggest the companies have the financial
2 wherewithal to perform and complete their obligations under the DSA.

3
4 **Q: Please identify the various benefits and protections the DSA provides to DEF's**
5 **customers.**

6 A: The essential elements of the DSA that protect DEF's customers are:

- 7 1. The NRC license will be transferred to ADP CR3 making ADP CR3 responsible
8 for compliance with all regulatory obligations and all on-site activities.
- 9 2. DEF continues to own the NDF. No money is disbursed by the trustee from the
10 NDF prior to review, validation and approval by DEF. Customers have not paid
11 into the NDF since 2001.
- 12 3. DEF only pays for work that is part of the decommissioning scope of work, all of
13 which is represented by the Pay Items, and when a Pay Item has been completed,
14 either partially or fully.
- 15 4. ADP SF1 purchases the Spent Nuclear Fuel, High Level Waste (HLW) and the
16 ISFSI. ADP CR3 will operate and maintain the ISFSI until the Department of
17 Energy (DOE) removes the Spent Nuclear Fuel from the Crystal River Site to a
18 High-Level Waste Repository.
- 19 5. ADP SF1 pays for all costs associated with operating and maintaining the ISFSI.
20 No funds from the NDF pay for the spent fuel management costs. ADP SF1 will
21 fund these costs separate and apart from the DSA.
- 22 6. The DSA is a fixed-price contract with no change order process.

- 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 currently estimates that there will be funds remaining in the NDF which will be
2 returned to the DEF customers and DE shareholders. DEF could decide to use part
3 or all of these funds to finish the project, if needed.
4

5 **Q: What does Mr. Polich indicate that the Commission should do with respect to this**
6 **transaction?**

7 A: Despite all the protections and mechanisms I describe above, he requests that the
8 Commission impose five additional conditions on this deal. None of the five conditions
9 are necessary, and imposing any of them would result in this transaction, as contemplated
10 by the DSA, not closing.
11

12 **Q: Mr. Polich refers to the transaction between DEF, ADP CR3 and ADP SF1 as “a**
13 **semi-fixed contract of \$540 million to perform all DECON work except final spent**
14 **fuel disposal” on page 15 of his testimony. Does DEF agree with this description of**
15 **the transaction?**

16 A: No. Notwithstanding the fact that the Agreed Amount could be more than \$540 million if
17 earnings of the IOI Decommissioning Subaccount exceed losses and expenses of the IOI
18 Decommissioning Subaccount, DEF's sole financial obligation to ADP CR3 for all for all
19 of the goods and services provided by ADP CR3 in connection with the
20 Decommissioning of the CR-3 Facility and the NRC-Licensed Site is \$540
21 million. Since ADP CR3 bears all investment risk associated with the IOI
22 Decommissioning Subaccount, DEF believes it is commercially reasonable for ADP CR3
23 to receive interest payments and all funds remaining in the IOI Decommissioning

1 Subaccount as a final payment when the ISFSI-Only Interim End-State Conditions are
2 achieved.

3
4 There are no change order provisions in the DSA and all project implementation risks (including
5 scope changes, cost escalation, etc.) transfer to ADP CR3.

6
7 DEF does remain responsible for the risk of any Change in End-State Conditions defined
8 in the FDEP letter in the DSA. DEF would be responsible for funding the additional
9 work necessary to comply with the new End-State Conditions from the Crystal River
10 Decommissioning Reserve Subaccount of the NDF. However, DEF views this risk as
11 low.

12
13 **Q: Should the DSA between DEF and ADP CR3 and ADP SF1 be renegotiated to**
14 **designate the State of Florida as a beneficiary in the Parent Support Agreement?**

15 A: No. The Commission should reject Mr. Polich's first recommendation. Adding the
16 Commission to the Parent Support Agreement adds no additional protection for DEF
17 customers. The DSA is the result of a formal competitive bidding process and extensive
18 contract negotiations related to cost, transfer of risks and financial assurances. The DSA
19 is a fixed price contract with no change order provisions, with the exception of changes to
20 End-State Conditions, and transfers all project implementation risks (including scope
21 changes, cost escalation, etc.) to ADP CR3. It is not reasonable to expect that DEF could
22 re-open negotiations without causing a change to the terms, conditions, pricing and risk
23 transfer to ADP CR3 that could be detrimental to the DEF customers.

1 Additionally, adding the Commission to the Parent Support Agreement would require
2 NRC approval, which could reopen the NRC approval process, potentially jeopardizing
3 the NRC's approval and extending the project timeline. These delays and risks would not
4 result in additional benefits for DEF customers beyond the benefits they will already
5 receive from the contractual commitments to the NRC.

6 The State of Florida, DEF and ADP (ADP wholly owns ADP CR3 and ADP SF1) all
7 have a vested interest in the decommissioning of CR3. The decommissioning of CR3 is a
8 first-of-its-kind project for Duke Energy and the State of Florida. It is not the first
9 nuclear decommissioning project for the two partners that formed ADP. DEF conducted
10 a competitive bid process to identify a company that possessed the technical and financial
11 capabilities to safely and successfully decommission CR3. ADP was selected during the
12 process because they demonstrated that they met the technical and financial requirements
13 to perform the decommissioning project. The NRC independently determined that ADP
14 meets the technical and financial requirements to decommission CR3 as the licensee as
15 documented in the corrected safety evaluation that supported the order, issued on April 1,
16 2020, to transfer the NRC license from DEF to ADP CR3. The NRC License will transfer
17 to ADP CR3 on the Closing Date.

18 The CR3 decommissioning project will be conducted in accordance with all federal, state
19 and local rules and regulations. The NRC, Department of Transportation (DOT), the
20 Florida Bureau of Radiation Control and the Florida Department of Environmental
21 Protection (FDEP) all have jurisdiction and inspection requirements throughout the life of
22 the project. Each agency will conduct on-site inspections as well as other routine
23 inspections and reviews. For ADP CR3 to achieve the End-State Conditions, ADP CR3

1 will have completed the necessary remediation of all hazardous substances, radiological
2 and non-radiological, in accordance with all rules, regulations and requirements. The
3 End-State Conditions are based on NRC regulations and the FDEP Letter.
4

5 **Q: Why is Mr. Polich suggesting that this condition is appropriate for the CR3**
6 **transaction?**

7 A: Mr. Polich has apparently determined that the Vermont Yankee (“VY”) transaction, in
8 which Entergy Nuclear Operations, Inc. (“Entergy”) sold NorthStar the property, plant
9 and equipment to decommission VY, should be the standard for the CR3 transaction
10 notwithstanding the fact that the structure of the VY transaction and CR3 transaction are
11 completely different. In the VY transaction, NorthStar purchased from Entergy all of the
12 membership interests of the NRC licensee (Entergy Nuclear Vermont Yankee, LLC, now
13 known as NorthStar Vermont Yankee, LLC), which means NorthStar acquired ownership
14 of the plant, property and equipment and the nuclear decommissioning trust fund.
15 Furthermore, as a result of the VY transaction, there is no regulated utility involved in the
16 VY decommissioning project because Entergy has no obligations to or involvement with
17 the VY decommissioning project. For this reason, it made sense for the State of Vermont
18 to be more involved and concerned about ensuring that NorthStar finishes the
19 decommissioning project since, by regulation, the Vermont Public Utility Commission
20 did not have jurisdiction over NorthStar. In the CR3 transaction, ADP CR3 will execute
21 the decommissioning project pursuant to a DSA that contains considerable contractual
22 protections, and, with the exception of the spent nuclear fuel and ISFSI, DEF will
23 continue to own the plant, property and equipment and the NDF. Because of DEF’s

1 continued role as an owner, DEF will continue to be regulated by the Florida Public
2 Service Commission.

3
4 **Q: On page 29, Mr. Polich states that “If the decommissioning of CR3 by ADP and its**
5 **affiliates is not performed as projected, resulting in depletion of the NDF and need**
6 **for additional funding from DEF’s ratepayers, any request by DEF for additional**
7 **funding by its ratepayers will have to be approved by the Commission.” Does DEF**
8 **foresee a scenario that could result in DEF requesting additional funding from its**
9 **ratepayers?**

10 A: No. DEF will continue to have the right to seek additional funding from its customers by
11 petitioning the Commission, if needed, but does not currently envision a scenario in
12 which it would need to seek additional funding and not because ADP CR3 have not
13 performed the decommissioning as projected. There are several scenarios that the CR3
14 decommissioning project may follow. I will describe the scenarios.

15 1. The first and most likely scenario this project will follow is that ADP CR3 will
16 complete Milestone One by the Target Completion Date in 2029 for the Agreed
17 Amount. In this scenario, ADP SF1 will continue to own the Spent Nuclear Fuel,
18 HLW and ISFSI, fund all spent fuel management activities and be responsible for
19 the operation and security of the ISFSI until DOE removes the Spent Nuclear Fuel
20 and HLW from the Crystal River Site to a High-Level Waste Repository. The on-
21 going operation of the ISFSI is not impacted in this scenario. After 2029, DOE
22 will transport the Spent Nuclear Fuel and HLW from the Crystal River Site to a
23 High-Level Waste Repository, the ISFSI will be decommissioned and final site

1 surveys conducted and submitted to the NRC. None of the work involving the
2 operation and decommissioning the ISFSI is funded from the NDF. After review
3 and approval, the NRC will terminate the NRC License and release the remaining
4 DEF property for unrestricted use. Money remaining in the NDF will be returned
5 to customers and Duke Energy shareholders at that time.

6 2. The next scenario involves the discovery of an unknown condition during the
7 project. This scenario is unlikely since the site characteristics are well known by
8 DEF and ADP CR3. ADP CR3 owns this risk and still must meet their obligation
9 to complete Milestone One by the Target Completion Date in 2029. The on-
10 going operation of the ISFSI is not impacted in this scenario. DEF believes that
11 this risk has been mitigated by the protections that exist in the DSA. In this
12 scenario, there are multiple protections in the DSA. First, there is the
13 approximately \$30M environmental insurance policy specific to the CR3
14 decommissioning project which is in addition to ADP CR3's standard
15 environmental insurance policy. The Contractor's Provisional Trust (\$50M)
16 could be made available to fund the new scope of work with written consent from
17 DEF. The Parent Guarantee, exhibits B-1 and B-2 of the DSA, would also be
18 made available to fund the newly identified scope of work. The DEF Crystal
19 River Decommissioning Reserve Subaccount in the NDF is also a source of funds
20 to mitigate the additional costs to complete the project. If the cost increase to
21 complete the project was determined to be so great that completing the project as
22 scheduled is not feasible, ADP CR3 could, with DEF's concurrence, return CR3
23 to a SAFSTOR Condition which would allow ADP CR3 to idle the

1 decommissioning project and reduce the monthly costs that are paid to ADP CR3
2 from the IOI Decommissioning Subaccount to a minimum. In this case, DEF and
3 ADP CR3 would likely review and consider any changes to the investment
4 policies and guidelines applicable to the IOI Decommissioning Subaccount and
5 the Crystal River Decommissioning Reserve Account. Based on the updated
6 cost-to-complete estimate and the estimated growth of the NDF, ADP CR3 and
7 DEF would agree on the timeframe to restart the project to complete license
8 termination by 2073 and site restoration by 2074. In this scenario, DEF would
9 not likely petition the Commission to have its customers pay into the NDF.

- 10 3. The third scenario is a change in End-State Conditions occurs. DEF owns this
11 risk. There is currently no proposed rule-making underway at the state or federal
12 level to change the End-State Conditions. DEF believes that this risk has been
13 mitigated by the protections that exist in the DSA. One risk is associated with a
14 change to NRC regulation that establishes the radiological criteria for unrestricted
15 use of the property after decommissioning. Additionally, the other two End-State
16 Conditions are associated with removing structures to at least three feet below
17 grade and using clean, concrete rubble to fill the below grade structures. Both
18 activities are typical for nuclear decommissioning projects and the Florida
19 Department of Environmental Protection (FDEP) has agreed with these End-State
20 Conditions in the FDEP Letter in the DSA. In this scenario, ADP CR3 would
21 determine the scope and cost estimate of the additional work necessary to comply
22 with the new End-State Conditions. DEF would fund the cost increase to comply
23 with the new End-State Conditions from the DEF Crystal River Decommissioning

1 Reserve Subaccount in the NDF. If the cost increase to comply with the new
2 End-State Conditions was determined to be so great that completing the project as
3 scheduled is not feasible, ADP CR3 could, with DEF's concurrence, return CR3
4 to a SAFSTOR Condition which would allow ADP CR3 to idle the
5 decommissioning work and reduce the monthly costs that are paid to ADP CR3
6 from the IOI Decommissioning Subaccount to a minimum. In this case, DEF and
7 ADP CR3 would likely review and consider any changes to the investment
8 policies and guidelines applicable to the IOI Decommissioning Subaccount and
9 the Crystal River Decommissioning Reserve Account. Based on the updated cost-
10 to-complete estimate and the estimated growth of the NDF, ADP CR3 and DEF
11 would agree on the timeframe to restart the project to complete license
12 termination by 2073 and site restoration by 2074. In this scenario, DEF would
13 not likely petition the Commission to have its customers pay into the NDF.

- 14 4. The next scenario is that ADP CR3 or ADP SF1 fails to pay or perform its
15 obligations under the SNF PSA, the Pledge Agreement, the Parent Support
16 Agreements, the Disposal Guarantee, the Amended and Restated LLC Agreement
17 or the SNF Services Agreement. In this scenario, if DEF is unable to resolve the
18 failure with ADP CR3 or ADP SF1, then, pursuant to the Parent Guaranties, the
19 Parent Guarantors will, subject to a written notice of demand, (i) make payment
20 within thirty (30) days of notice or (ii) perform or cause to be performed the
21 unperformed obligations. If any Parent Guarantor fails to make any payment or
22 render performance when due and such failure is not cured within ten (10)
23 Business Days after written notice from Company regarding such failure, then

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 to obtain funds, which ADP CR3 could either provide itself or request from its
2 parent companies under the Parent Support Agreements. In the corrected safety
3 evaluation for the approval of the license transfer from DEF to ADP CR3, the
4 NRC concluded that the Parent Support Agreements assure the ability of ADP
5 CR3 and ADP SF1 to pay the expenses of (i) maintaining and decommissioning
6 the CR3 facility and ISFSI safely, (ii) protecting the public health and safety and
7 (iii) meeting NRC requirements are effective. Because the NRC credited the
8 Parent Support Agreements in its independent cash flow analysis, the NRC also
9 indicated that ADP cannot void, cancel, or modify the Parent Support Agreements
10 without prior written consent of the NRC. Because the NRC can take
11 enforcement action against ADP CR3 if ADP CR3 fails to obtain funds, it seems
12 very unlikely that ADP CR3 or its parent companies would not provide such
13 funds. However, in the event that ADP CR3 requested funds and the Parent
14 Guarantors failed to provide such funds under the Parent Support Agreements and
15 such failure is not cured within ten (10) Business Days after written notice from
16 Company regarding such failure, such failure will constitute an Event of
17 Default. See the discussion regarding Event of Default in number 7 below
18 regarding DEF's remedies. DEF would not likely petition the Commission to
19 have its customers pay into the NDF in this scenario.

- 20 7. The next scenario is that ADP CR3 experiences a Contractor's Event of Default
21 and DEF elects to terminate the DSA and exercises its rights under the Pledge
22 Agreement. Each Contractor Event of Default is based on the occurrence of a
23 particular event, and, in many cases, a Contractor Event of Default may have no

1 or minimal impact or effect on ADP CR3's ability to execute and complete the
2 project. For example, the occurrence of a Bankruptcy Event with respect to ADP
3 CR3 is a Contractor Event of Default but DEF believes the risk associated
4 therewith is remote. DEF will be the Independent Manager (as defined in the
5 Amended and Restated Limited Liability Company Agreement of ADP CR3,
6 LLC (the "LLC Agreement")) of ADP CR3. Under the LLC Agreement, ADP
7 CR3 is not authorized, without approval from the Independent Manager, to file or
8 consent to the filing of any petition, either voluntary or involuntary, to take
9 advantage of any applicable insolvency, bankruptcy, liquidation or reorganization
10 statutes. It is difficult to imagine a scenario where the Independent Manager
11 would agree to an ADP CR3 bankruptcy because, under the bankruptcy laws,
12 such an approval would allow ADP CR3 to move to reject (i.e., terminate) the
13 DSA in the bankruptcy proceeding. Accordingly, in the occurrence of any Event
14 of Default, DEF will assess whether electing to terminate the DSA and exercise
15 its rights under the DSA is prudent and in the best interest of customers. If DEF
16 were to determine that such an election is prudent and in the best interest of
17 customers, then:

- 18 • DEF would only have paid for work that is completed;
- 19 • DEF would keep the remaining funds in the IOI Decommissioning
20 Subaccount of the NDF, including all interest and earnings;
- 21 • Disbursements can be made from the Contractor's Provisional Trust Fund
22 to pay for any cost necessary for DEF or its designee to achieve the ISFSI-
23 Only End State Conditions;

- DEF or its designee would acquire the membership interests of ADP CR3 and, as owner, would direct the activities of ADP CR3; and
- Any contracts that ADP CR3 has with subcontractors would remain in effect.

DEF would not likely petition the Commission to have its customers pay into the NDF even with an Event of Default. Scenarios 4, 5, and 6 are all related to scenario 7. For these scenarios, DEF would have the option to return to the SAFSTOR condition if needed.

The NRC regulatory requirement is to complete the license termination activities by 2073. The decommissioning project timeline is approximately six and one-half (6 ½) years. If CR3 had to be returned to a SAFSTOR condition to allow the NDT to grow, DEF could decide, based on fund growth and the cost estimate to complete the project, to petition the Commission to have its customers pay into the NDF sometime in the middle of this century.

Q: Does DEF believe it is important to retain the timing of the proposed transaction?

A: Yes. The longer the CR3 decommissioning project is delayed, the higher the probability of significant regulatory changes or a Fukushima type significant operational event occurring anywhere in the world. The consequences of either of these types of events could significantly increase the cost of decommissioning CR3 and other nuclear plants in the U.S. Some examples could be significant cost increases associated with the transportation and disposal of radioactive waste based on changing regulations, an event that causes regulatory changes to the End-State Conditions that cannot be mitigated by

1 NDF growth over time and other unforeseen changes to the decommissioning structure
2 and standards that currently exist in the U.S. These are the types of events that could
3 cause DEF to petition the Commission to have its customers pay into the NDF to fund the
4 significant cost increase of decommissioning in the U.S. To be clear, DEF and its
5 customers live with that risk today, irrespective of whether the transaction at issue in this
6 proceeding is approved.

7 DEF has concluded that accelerating the decommissioning of CR3 mitigates these types
8 of tail risks. DEF also believes that discoveries or other events that are much less
9 significant than those just described are mitigated by the current protections in the DSA.
10

11 **Q: Why does DEF consider the risk of an Event of Default by ADP CR3 low?**

12 A: The protections and remedies in the DSA, including the Pledge Agreement (Exhibit E of
13 the DSA) and the Amended and Restated Limited Liability Company Agreement of ADP
14 CR3 LLC (Exhibit D of the DSA) are strong. Exhibit D identifies the ADP CR3 LLC
15 Independent Manager that will be appointed by DEF on the Closing Date. ADP CR3
16 LLC is not authorized to take the following actions without the approval of the
17 Independent Manager:

- 18 • filing or consenting to the filing of any petition, either voluntary or involuntary, to
19 take advantage of any applicable insolvency, bankruptcy, liquidation or
20 reorganization statutes;
- 21 • making any filing or submittal to the NRC voluntarily electing SAFSTOR;
- 22 • filing or consenting to dissolve the Company;

- amending or terminating the SNF services agreement, by and between the Company and ADP SF1 LLC; or
- modify, alter, supplement, amend or otherwise change this agreement or any other organizational documents of ADP CR3 LLC.

The remedies in the Event of Default are clear. DEF would terminate the DSA with the following consequences:

- DEF would only have paid for work that is completed;
- DEF would keep the remaining funds in the IOI Decommissioning Subaccount of the NDF, including all interest and earnings;
- Disbursements can be made from the Contractor's Provisional Trust Fund to pay for any cost necessary for DEF or its designee to achieve the ISFSI-Only End State Conditions;
- DEF or its designee would acquire the membership interests of ADP CR3 and, as owner, would direct the activities of ADP CR3; and
- Any contracts that ADP CR3 has with subcontractors would remain in effect.

The ADP CR3 decommissioning method protects ADP CR3 from financial challenges throughout the life of the project. With respect to the majority of the decommissioning work, ADP CR3 will enter into fixed price subcontracts with an Affiliate of NorthStar Group Services, Inc., and an Affiliate of Orano USA LLC, and expects to enter into fixed price subcontracts with specialty trade subcontractors. With respect to each fixed price subcontract, ADP CR3 will obtain payment and performance bonds or similar guaranties in the amount of the fixed price work covered by that fixed price subcontract; provided, however, because a small portion of the work covered by certain fixed price subcontracts

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 **Q: Second, Mr. Polich testifies that the Commission should require NorthStar to**
2 **maintain at least \$105M to support the Parent Guaranty. Do you agree with this**
3 **recommendation?**

4 A: No, for all the reasons explained above. Mr. Adix will also address this recommendation.
5

6 **Q: Mr. Polich next recommends that the percentage of each monthly payment retained**
7 **in the Provisional Milestone Account should be increased from six to ten percent.**
8 **Should the DSA be renegotiated to increase the percentage?**

9 A: No. Changing the DSA adds no additional protection for DEF customers than currently
10 exists in the DSA and the renegotiated contract could cause a change to the terms,
11 conditions, pricing and risk transfer to ADP CR3 that could be detrimental to the DEF
12 customers. The DSA is a fixed price contract with no change order provisions, with the
13 exception of changes to End-State Condition, and transfers the project implementation
14 risks (including scope changes, cost escalation, etc.) to ADP CR3. These terms are the
15 result of a formal competitive bidding process and extensive contract negotiations related
16 to cost, transfer of risks, and financial assurances. It is not reasonable to expect that DEF
17 could re-open negotiations without causing a change to the terms, conditions, pricing and
18 risk transfer to ADP CR3 that could be detrimental to the DEF customers.

19 If the retainage was increased from six to ten percent, the increase could unnecessarily
20 restrict ADP CR3 cash flow which could have a negative impact on the project. DEF
21 believes that six percent retainage, along with all the other protections for DEF customers
22 in the DSA, is sufficient.

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.

1 The WCS facility in Andrews, Texas, is the only licensed facility in the United States that
2 can treat, store and dispose of Class A, B and C low-level radioactive waste, hazardous
3 waste and byproduct material. This access to the WCS facility significantly reduces
4 project risk related to waste disposal access and cost and represents an important benefit
5 for DEF's customers in the DSA.

6
7 **Q: Again, is the fact that the VY deal included a similar provision important to**
8 **whether the Commission should change the CR3 deal?**

9 A: No. As explained above, in Vermont, there is no regulated utility involved in the VY
10 project. Here, DEF continues to own CR3 and the NDF, other than the spent fuel and
11 associated assets, and DEF will continue to be regulated by the FPSC. In addition, even
12 if what happened in VY was dispositive, which it was not, Mr. Polich has not accurately
13 represented the VY transaction. In VY, NorthStar does not begin making the ten percent
14 monthly disbursement into the VY provisional trust fund until after NorthStar has
15 withdrawn the first \$100M from the VY Nuclear Decommissioning Trust (NDT). By
16 comparison, the six percent retainage in the CR3 DSA begins immediately with the first
17 invoice. In the Memorandum of Understanding between the state of Vermont and
18 NorthStar dated March 2018 under docket number 8880, NorthStar estimated that the VY
19 provisional trust fund would be fully funded by the end of 2024, which is similar to the
20 CR3 timeline until the Disposal Guarantee is fully released.

1 **Q: Mr. Polich's fourth and fifth recommendations are that the DSA should be**
2 **renegotiated to change the reporting requirements from quarterly to monthly and**
3 **establish an independent monitor. Do you agree?**

4 A: No. Changing the DSA adds no additional protection for DEF customers than currently
5 exists in the DSA and the renegotiated contract could cause a change to the terms,
6 conditions, pricing and risk transfer to ADP that could be detrimental to DEF customers.
7 The DSA is a fixed price contract with no change order provisions and transfers the
8 project implementation risks (including scope changes, cost escalation, etc.) to ADP.
9 These terms are the result of a formal competitive bidding process and extensive contract
10 negotiations related to cost, transfer of risks, and financial assurances. It is not
11 reasonable to expect that DEF could re-open negotiations without causing a change to the
12 terms, conditions, pricing and risk transfer to ADP that could be detrimental to the DEF
13 customers.

14 The quarterly reporting in Attachment 9 of the DSA is in support of the quarterly face-to
15 face meetings between DEF and ADP CR3. The DSA contains many more
16 communications on the status of the project between DEF and ADP CR3 such as monthly
17 invoices and the supporting validation information, monthly or more frequent tours of the
18 project, the ability to escalate concerns to executives of ADP CR3, audit rights and
19 financial reports from the parent companies of ADP CR3.

20 ADP CR3 will supply DEF updated schedules at least quarterly throughout the project.

21 The project schedules, along with the detailed validation information provided to DEF in
22 support of each monthly invoice, are essential project information that is one measure of
23 the progress of the project.

ADP CR3 will also provide DEF monthly written notices, by the twenty-fifth (25th) day of each month, estimating the amount of funds ADP CR3 estimates it may request for withdrawals from the IOI Decommissioning Subaccount during the following calendar month. The variance between the estimate and the invoiced amount each month will be monitored by DEF and is also information indicative of the project progress. (Article 9.3.1 of the DSA).

The fixed-price contract provides extensive protection to DEF's customers. The DSA establishes the Target Completion Date of January 21, 2029 yet the Milestone One date is January 2027. These dates were based on closing the transaction in March 2020. These dates will be adjusted in the planned amendment to the DSA but will still allow two years between the scheduled Milestone One date and the Target Completion Date (Articles 1.1 and 6.7 of the DSA). DEF agreed to the two-year period between the two dates to allow ADP CR3 sufficient project management and schedule flexibility to complete the CR3 decommissioning project in an efficient, effective manner. 10 C.F.R. § 50.82(a)(3) requires that the CR3 decommissioning be completed by 2073. DEF decided that it was prudent and appropriate to provide the two-year schedule flexibility to ADP CR3 to complete Milestone One in support of maintaining the fixed price nature of the transaction.

Q: Do you agree with Mr. Polich's comparison to the Georgia Power Vogtle projects as supporting the need for an independent monitor?

A: Not at all. Georgia Power's Plant Vogtle Units 3 and 4 projects are not a valid comparison to the CR3 decommissioning project. The CR3 project is a six and one-half

1 (6 ½) year project to achieve Milestone One for the fixed price of \$540M paid by DEF
2 from the NDF. The CR3 decommissioning project does not currently affect the rates of
3 DEF customers since the existing NDF can fund the project. As described above, DEF
4 prioritized the fixed price of the project above the schedule to complete Milestone One.

5 The scope of the CR3 decommissioning work is not complex compared to the Vogtle
6 projects. Decommissioning work involves removing all structures, systems and
7 components from their current location and packaging, transporting and disposing of
8 them as waste. The waste may be radioactive, hazardous, mixed or clean waste. Each
9 type of wastes has different requirements that ADP CR3 is very familiar with and has
10 recent experience with managing at the VY decommissioning project.

11 Conversely, the Vogtle project is a complex construction project for a new class of
12 reactors. The finalization of design, the large amount of labor needed, and the start-up
13 and commissioning of new units, make Vogtle a much more complex project than the
14 decontamination and dismantlement of CR3. The complexity of the Vogtle project has
15 led to significant cost and schedule overruns with estimated cost increasing from \$14.3B
16 to \$28B. The Georgia PSC will ultimately determine the significant impact to the
17 Georgia Power customers when the two units are placed in service. Given the significant
18 cost and schedule overruns at the Vogtle Units 3 and 4 projects, independent monitoring,
19 reporting, assessing, auditing and all other project control tools are appropriate to protect
20 the Georgia Power ratepayers.

21 The ADP CR3 decommissioning project will be funded from the NDF with no current
22 impact to customers. The protections provided to the DEF customers in the current DSA,
23 the ongoing role of DEF and the oversight from NRC and multiple state organizations are

1 sufficient to protect DEF's customers and no additional reporting or monitoring is
2 required.

3

4 **Q: Does that conclude your testimony?**

5 A: Yes.

1 BY MS. TRIPLETT:

2 Q Could you please provide a brief summary of
3 your rebuttal testimony?

4 A Yes.

5 The purpose of my rebuttal testimony is to
6 rebut OPC witness Mr. Polich's testimony.

7 Mr. Polich recommended enhancements -- has
8 recommended enhancements to be rejected by this
9 commission. Mr. Polich's testimony is an attempt to
10 cause DEF to renegotiate the DSA with our counter-party
11 ADP, as was already simply negotiated to include
12 substantial protections for DEF and its customers. As
13 Mr. Polich acknowledges, accelerating the
14 decommissioning of the CR3 facility is beneficial to DEF
15 customer -- customers, excuse me.

16 If the Commission imposes any or all of Mr.
17 Polich's recommended enhancements on the DSA, DEF may
18 seek to renegotiate a new DSA with ADP, we could perform
19 another competitive bidding process, or we could follow
20 the original safe store method where the site
21 restoration is complete in 2074.

22 DEF performed detailed reviews of NorthStar's
23 and ADP CR3's expertise and capabilities -- capabilities
24 in the relevant areas important to successful and
25 predictable execution of the CR3 decommissioning

1 project, including technical, commercial, financial and
2 legal. The subject matter experts within Duke Energy
3 concluded that the benefits and protections of the DSA
4 mitigate any identified risk factors.

5 Mr. Polich's recommended enhancements should
6 all be rejected by the Commission because the DSA
7 contains sufficient protections for DEF and its
8 customers.

9 That's my testimony -- that's my summary.

10 **Q Thank you.**

11 MS. TRIPLETT: And, Mr. Chair, Mr. Hobbs does
12 not have any exhibits to move.

13 CHAIRMAN CLARK: Okay. I believe that would
14 pretty much conclude it.

15 Would you like to have Mr. Hobbs dismissed?

16 MS. TRIPLETT: I think he might have words
17 with me if I don't can ask that, but yes, please.

18 CHAIRMAN CLARK: All right. The witness is
19 dismissed.

20 (Witness excused.)

21 CHAIRMAN CLARK: Okay. I believe that that
22 concludes everybody that's on the agenda. Am I
23 missing anything?

24 MS. BROWNLESS: Those are all the witnesses.
25 Yes, sir.

1 CHAIRMAN CLARK: That's all the witnesses.

2 Very good.

3 Are there any other matters that need to be
4 addressed, Ms. Brownless?

5 MS. BROWNLESS: Yes, sir.

6 We want to note that briefs are due on
7 July 23rd, 2020, and shall not exceed 40 pages.
8 Transcripts will be available on July 13th, and the
9 post-hearing special agenda is scheduled for
10 Tuesday, August 18th.

11 CHAIRMAN CLARK: Okay. Do any of the parties
12 have any additional matters that need to be
13 addressed?

14 All right. Then let me take just a moment of
15 personal privilege to thank everyone for helping to
16 make this first virtual hearing at the Public
17 Service Commission possible. I especially want to
18 say a very special thanks to our IT staff that are
19 here on-site that have been working diligently to
20 make all of this successful, and to all the folks
21 that have put in a lot of hard -- extra, extra hard
22 work over the last week to get us to this point.

23 We had a couple of small hiccups right at the
24 beginning, but overall, I would give it a solid A
25 plus. I think that for -- for the most part

1 everything went extremely smooth. And, again, my
2 sincere appreciation to everyone who helped to pull
3 this off today and yesterday and the day before.

4 Any questions? Anything before we adjourn?

5 MS. BROWNLESS: Your Honor.

6 CHAIRMAN CLARK: Yes, Ms. Brownless.

7 MS. BROWNLESS: I believe -- I believe I
8 misspoke. The transcripts will be available --
9 today is July 8th, correct?

10 CHAIRMAN CLARK: I have no idea. It's the
11 9th.

12 MS. BROWNLESS: 9th, sorry. The transcripts
13 will be available July 13th. Did I say that
14 correctly?

15 CHAIRMAN CLARK: July 13th.

16 MS. BROWNLESS: Yes.

17 CHAIRMAN CLARK: Transcripts are available
18 July 13th. That's what you said, yes.

19 MS. BROWNLESS: Right, in a few days from now.

20 CHAIRMAN CLARK: Okay. All right. Any of
21 other concluding matters? Any party?

22 All right. This hearing stands adjourned.

23 Thank you so much. Have a great week.

24 (Proceedings concluded at 3:01 p.m.)

25

1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
3 COUNTY OF LEON)
45 I, DEBRA KRICK, Court Reporter, do hereby
6 certify that the foregoing proceeding was heard at the
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.18 DATED this 13th day of July, 2020.
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DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020