

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Nuclear Cost Recovery
Clause**

DOCKET NO. 160009-EI
Submitted for filing: March 1, 2016

**DIRECT TESTIMONY OF MARK R. TEAGUE
IN SUPPORT OF ACTUAL COSTS**

**ON BEHALF OF
DUKE ENERGY FLORIDA, LLC**

IN RE: NUCLEAR COST RECOVERY CLAUSE

BY DUKE ENERGY FLORIDA, LLC

FPSC DOCKET NO. 160009-EI

DIRECT TESTIMONY OF MARK R. TEAGUE

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

3 A. My name is Marcus (“Mark”) R. Teague. My current business address is 400 South
4 Tryon Street, Charlotte, North Carolina.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Duke Energy Business Services, LLC as Managing Director of
8 Major Projects Sourcing (“MPS”) in the Supply Chain department.

9
10 **Q. What are your responsibilities as the Managing Director of MPS?**

11 A. My role includes providing management oversight in the disposition of the Crystal
12 River Unit 3 (“CR3”) Extended Power Uprate (“EPU”) assets by ensuring that Supply
13 Chain employees at CR3 follow Duke Energy Florida, LLC’s (“DEF” or the
14 “Company”) processes and procedures. I also have responsibility for the Supply
15 Chain functions for Duke Energy International and with most Duke Energy
16 Corporation (“Duke Energy”) Major Projects, both regulated and non-regulated.

17
18 **Q. Please summarize your educational background and professional experience.**

19 A. I have a Bachelors of Engineering Technology degree in Civil Engineering from the

1 University of North Carolina at Charlotte and a Masters of Business Administration
2 from Wake Forest University. I have 33 years of experience with Duke Energy and I
3 am a licensed Professional Engineer in the state of North Carolina. My prior roles at
4 Duke Energy include design engineering professional, project controls professional,
5 and project management professional in both Nuclear Generation and Fossil/Hydro
6 Generation and I have also managed each of those functional roles in the past. For
7 the last four years, I have served as Managing Director in the Supply Chain
8 organization – two years leading the Fossil/Hydro Supply Chain organization and two
9 years leading the Major Projects Sourcing Supply Chain organization.

10
11 **II. PURPOSE AND SUMMARY OF TESTIMONY.**

12 **Q. What is the purpose of your direct testimony?**

13 A. In accordance with the cancellation of the CR3 EPU project, resulting from the
14 decision to retire and decommission the CR3 nuclear power plant, my direct
15 testimony supports the Company's request for cost recovery pursuant to Section
16 366.93(6), Florida Statutes, and Rule 25-6.0423(7), Florida Administrative Code, for
17 the prudent exit costs incurred in 2015 to demobilize and close-out the EPU project. I
18 will explain the status of the investment recovery project efforts to disposition EPU-
19 related assets and materials and the related proceeds from those efforts. My testimony
20 also supports the prudence of DEF's 2015 project management, contracting, and cost
21 oversight policies and procedures for the EPU project wind-down and investment
22 recovery efforts. The company relies on the information included in this testimony in
23 the conduct of its affairs.

24

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

2 A. Yes, I am sponsoring the following exhibits to my testimony:

- 3 • Exhibit No. ___(MT-1), the CR3 Administrative Procedure, AI-9010, Conduct
- 4 of CR3 Investment Recovery, Revision 1;
- 5 • Exhibit No. ___ (MT-2), the CR3 Investment Recovery Project, Project
- 6 Execution Plan, Revision 0;
- 7 • Exhibit No. ___(MT-3), the Investment Recovery Guidance Document IRGD-
- 8 001, Sales Track Guidance and Documentation Package Development;
- 9 • Exhibit No. ___(MT-4), a confidential chart of EPU-related assets disposed of
- 10 through sales to third parties or affiliate transfers/sales in 2015; and

11 I am also co-sponsoring the 2015 Detail Schedule, and sponsoring Appendices

12 D and E, which are included as part of Exhibit No. ___ (TGF-2) to Mr. Thomas G.

13 Foster's direct testimony in this proceeding.

14 These exhibits were prepared by the Company. They are generally and

15 regularly used by the Company in the normal course of its business, and they are true

16 and correct.

17

18 **Q. Please summarize your testimony.**

19 A. My direct testimony supports DEF's request for a prudence determination for the

20 actual costs it incurred in 2015 for the EPU project close-out, offset by the proceeds

21 received from the sale of EPU-related assets. I also provide an update on the EPU

22 project close-out and asset disposition investment recovery project progress. In 2015,

23 DEF completed the disposition of EPU-related assets using a step-wise approach

24 under its investment recovery policies and procedures to obtain the most value for the

1 EPU-related assets for DEF's customers. As discussed in my May 1, 2015 testimony
2 filed in Docket 150009-EI, the CR3 Investment Recovery Project ("IRP") was closed
3 out on April 30, 2015.

4 DEF prudently followed its policies and procedures to close-out the EPU
5 project, while managing its costs, and DEF has successfully sold the remaining
6 marketable EPU-related assets in 2015. Net proceeds from the sales and transfer of
7 EPU-related assets are returned to customers.

8
9 **III. ACTUAL COSTS INCURRED IN 2015 FOR THE EPU PROJECT.**

10 **A. Status of the EPU Project Close-Out.**

11 **Q. Will you please describe the status of the EPU project close-out and the**
12 **investment recovery efforts for EPU-related assets in 2015?**

13 A. Yes. The last remaining stage for the EPU project close-out is the final disposition of
14 EPU-related assets and materials. During 2015, the DEF investment recovery team
15 worked diligently to market and transfer or sell EPU-related assets in accordance with
16 the CR3 Administrative Procedure AI-9010, Conduct of CR3 Investment Recovery,
17 Revision 1 ("AI-9010"), attached hereto as Exhibit No. ___(MT-1); the CR3
18 Investment Recovery Project, Project Execution Plan, Revision 0 ("Project Plan"),
19 attached hereto as Exhibit No. ___(MT-2); and the Investment Recovery Guidance
20 Document IRGD-001, Sales Track Guidance and Documentation Package
21 Development ("IRGD-001"), attached hereto as Exhibit No. ___(MT-3). These
22 policies and procedures provide the overall governance for the project and outline the
23 asset pricing requirements and minimum reviews, approvals and records required for

1 the execution of transactions for the disposal of assets from CR3, including EPU-
2 related assets.

3

4 **Q. What EPU-related assets were transferred or sold since you last provided**
5 **testimony in Docket No. 150009-EI?**

6 A. My Exhibit No. ___(MT-4) is a list of the EPU-related assets that were transferred or
7 sold since May of 2015, along with the price, transaction type, and date of sale or
8 transfer. Briefly, DEF was able to disposition the Low Pressure Turbine (“LPT”)
9 blade vibration monitoring system, the High Pressure Turbine (“HPT”) and
10 associated equipment, turbine lubricating oil cooler bundles, exciter, hydrogen
11 coolers, LPT L-0 blades, and associated LPT parts, at fair market value. DEF
12 followed its disposition strategy for these remaining assets.

13

14 **Q. Are there any remaining EPU assets remaining to be sold or salvaged?**

15 A. There are remaining EPU assets, however, following the IRP policies and procedures,
16 DEF determined the most cost-effective option for those remaining EPU assets is
17 abandonment in place. If any future sales opportunities for abandoned-in-place EPU
18 equipment arise, those opportunities will be evaluated by the current CR3 plant
19 organization and the Duke Energy Supply Chain Department on an individual case
20 basis.

21

22 **B. EPU Project Close-Out 2015 Actual Costs.**

23 **Q. What costs did DEF incur related to the EPU project close-out in 2015?**

24 A. As can be seen in Appendix D of Exhibit No. ___(TGF-2), costs for 2015, gross of
25 joint owner billing, exclusive of carrying costs, net of sale, transfer, or salvage

1 proceeds, and exclusive of accounting adjustments, were (\$1.7 million). Costs to
2 close-out the project were incurred in the category of EPU Wind-Down and sale or
3 transfer or proceeds were applied in the category of Sale or Salvage of Assets.
4 Schedule 2015 Detail in Exhibit No.__(TGF-2) to Mr. Foster’s testimony provides
5 further details on these costs.
6

7 **Q. Please describe the total EPU Wind-Down Costs incurred and explain why the**
8 **Company incurred them.**

9 A. DEF incurred approximately \$0.9 million in EPU Wind Down Costs in 2015. These
10 costs were primarily incurred to facilitate the sale of the EPU-related assets.
11

12 **Q. Please describe what sale, transfer, or salvage proceeds were received in 2015**
13 **and explain how DEF accounted for these proceeds.**

14 A. DEF received approximately \$2.6 million in proceeds from the sale, transfer, or
15 salvage of EPU-related assets during 2015. Proceeds from the sale of EPU equipment
16 in 2015 were offset against the EPU wind-down costs incurred in 2015 and will be
17 returned to customers. These transactions and the proceeds from these transactions
18 are listed on Exhibit No. ___ (MT-4).
19

20 **Q. How did actual expenditures for 2015 compare to DEF’s actual/estimated costs**
21 **for the EPU project?**

22 A. As can be seen in Appendix D of Exhibit No. __(TGF-2), DEF’s actual expenditures
23 for the EPU project in 2015 were lower than DEF’s actual/estimated costs for 2015
24 by almost \$1.8 million. This variance is based on DEF’s actual expenditures for 2015

1 compared to the 2015 Estimated/Actual Detail Schedule attached to Mr. Foster's May
2 1, 2015 testimony as Exhibit No. ____ (TGF-4) in Docket No. 150009-EI.

3
4 **Q. What accounts for this variance between the actual/estimated costs and actual**
5 **2015 EPU costs?**

6 A. This variance is principally due to the fact that the actual/estimated costs did not
7 include estimated sale, salvage, or transfer proceeds for EPU-related assets. DEF
8 could not reasonably estimate potential sales proceeds for the remaining EPU assets
9 because sales of these assets were merely speculative at that time. Beyond
10 anticipated asset preservation and disposition costs, DEF did not estimate costs to
11 perform work required to prepare the remaining EPU-related assets for any
12 speculative sale. As a result of the additional asset sales throughout 2015, DEF's
13 2015 EPU actual close-out costs were higher than estimated. However, DEF's 2015
14 EPU *net* costs were lower than estimated as a result of the proceeds received from the
15 sale of EPU-related equipment offsetting the close-out costs.

16
17 **Q. Were DEF's 2015 EPU project costs prudently incurred?**

18 A. Yes, they were. DEF only incurred costs necessary to maintain and prepare the EPU-
19 related equipment for sale. Proceeds from the sale of EPU equipment in 2015 were
20 offset against the EPU wind-down costs incurred in 2015 and will be returned to
21 customers.

1 **Q. Are the 2015 EPU project wind-down costs included in this NCRC docket for**
2 **recovery separate and apart from those that the Company incurred in 2015 to**
3 **decommission CR3?**

4 A. Yes, DEF has only included for recovery in this proceeding those costs that were
5 incurred solely for the EPU project close-out. Conversely, all proceeds from the sale,
6 transfer, or salvage of EPU-related equipment are being tracked and used to reduce
7 the EPU unrecovered investment.

8
9 **IV. 2015 PROJECT MANAGEMENT AND COST CONTROL OVERSIGHT.**

10 **Q. Did the Company utilize prudent project management and cost oversight**
11 **controls for the close-out of the EPU project?**

12 A. Yes it did. The Company developed its close-out and investment recovery plans and
13 procedures utilizing the project management policies and procedures that have been
14 reviewed and approved as prudent by this Commission in prior year's dockets.

15
16 **Q. Please explain the project management and cost control oversight processes used**
17 **for the EPU wind-down in 2015.**

18 A. The investment recovery project, including EPU close-out, was governed by
19 procedure number AI-9010 as discussed above and attached hereto as Exhibit No.
20 ____ (MT-1). AI-9010 was developed specifically for CR3 asset disposition and
21 outlines the pricing requirements, minimum reviews, and approvals required for the
22 execution of transactions and the record keeping requirements necessary for the
23 disposition of assets from CR3. AI-9010 provides specific instructions on
24 expectations, assets pricing, disposition transaction review and approvals, project

1 assurance and removal of installed assets and provides approved forms to document
2 asset disposition.

3 The investment recovery Project Plan supplied the overall governance for the
4 investment recovery project and defined the organization, work processes, and
5 systems necessary for the successful disposition of all CR3 assets. See the Project
6 Plan attached hereto as Exhibit No. __ (MT-2). In 2014, DEF also issued the
7 Investment Recovery Guidance Document IRGD-001, Sales Track Guidance and
8 Documentation Package Development. See Exhibit No. __ (MT-3) to my testimony.
9 This document provides additional instruction to conduct sales and develop complete
10 documentation packages for the investment recovery project

11 In 2015, DEF conducted the close-out of the EPU project in accordance with
12 these policies and procedures.

13

14 **Q. What other oversight mechanisms did DEF use to oversee the IR process?**

15 A. Until the IRP closed on April 30, 2015, the Company utilized Key Performance
16 Indicators (“KPIs”) to monitor the status of the investment recovery project. These
17 KPIs were reviewed by the investment recovery team on a regular basis.
18 Additionally, weekly progress/status meetings were held to review open issues in the
19 project including action items, trends, key schedule milestones and other issues.
20 Monthly progress reports were issued reporting financial results for the overall
21 project, for the prior month. Additionally, risk review meetings were held on a
22 regular basis and a formal risk register was maintained for the investment recovery
23 project and updated as necessary.

24

1 **Q. Are DEF's project management, contracting, and cost oversight controls**
2 **reasonable and prudent?**

3 A. Yes, they are. These project management policies and procedures reflect the
4 collective experience and knowledge of the combined Company and industry best
5 practice based on benchmarking for project management. These policies and
6 procedures were reviewed in the annual Commission project management audit in the
7 2015 NCRC docket and the Commission determined that these policies and
8 procedures were prudent. See Order No. PSC-15-0521-FOF-EI (issued November 3,
9 2015). The EPU project management, contracting and cost oversight controls for the
10 close-out and investment recovery efforts are reasonable and prudent.

11

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

13 A. Yes, it does.



CRYSTAL RIVER UNIT 3

ADMINISTRATIVE PROCEDURE

AI-9010

Conduct of CR3 Investment Recovery

REVISION 1

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1.0 PURPOSE

1. This procedure outlines the asset pricing requirements and minimum reviews and approvals required for the execution of transactions and the record keeping requirements necessary for the disposition of assets (materials and equipment) from Crystal River Unit 3 (CR3) during the Decommissioning Transition Organization (*DTO*) phase. Additionally, the disposition of CR3 new nuclear fuel (fabricated and at CR3) is governed by this procedure. Upstream supplies (Enriched Uranium Product and UF6 Converter material) will be governed by this procedure.

1.1 Scope

1. Transactions include, but are not limited to the following:
 - Transfer of assets to Duke affiliated companies (*both regulated and non-regulated*)
 - Sale of assets
 - Sale of assets as scrap
 - Donating assets to charitable organizations
 - Disposal of assets.
2. Transactions under this procedure must conform to all existing applicable company policies.
3. It is essential that asset divesture records of all transactions are documented and preserved.
4. In accordance with the governance, the review and approval of each asset disposition is documented on a form similar to Attachment 1, Asset Disposition Review.
5. This procedure does not cover Real Property.
6. All transactions will comply with tax regulations. Internal transfers within DEF, or to DEC, DEP, DEO, DEI, and DEK do not require a tax surcharge as these entities have a Direct Pay Permit. A copy of these Direct Pay Permits is on file with Supply Chain at Crystal River 3.

2.0 REFERENCES

1. ADM-SUBS-00106, Project Assurance Nuclear Cost Recovery Clause Library (NCRCL) Program Manual
2. AI-9003, System Evaluation, Categorization and Abandonment
3. CR3 Investment Recovery Project Execution Plan
4. MCP-NGGC-0001, NGG Contract Initiation, Development and Administration
5. RDC-0001, Records Management Program
6. SCD211, Affiliate Asset Transfer Transactions
7. Affiliate Asset Transfer e-form on the Duke Energy PORTAL
8. Delegation of Authority (DOA)
9. Code of Business Ethics
10. Records Management Policy
11. Sales/Use and Excise Tax Policy
12. Purchasing Authority Policy
13. PMC-PRC-NA-AD-0013, Project Assurance Program Manual

3.0 DEFINITIONS

1. **154 Inventory** – Material that is put into an inventory system (Passport, EMAX or Nuclear Asset Suite (NAS)) and whose dollars are captured in FERC account 0154 at time of receipt. As part of the CR3 Settlement Agreement, all previous account 0154 Inventory is now part of the Regulated Asset, though for simplicity these are referred to in this procedure as 0154 Inventory.
2. **AAT – Affiliate Asset Transfer** - Transferring material internally between regulated, non-regulated and non-utility affiliates subject to governance under various federal and state guidelines and is documented on the Affiliate Asset Transfer Electronic Form found on the PORTAL. Only Regulated assets are transferred in accordance with the Intercompany Affiliate Transfer Agreement. The Code of Conduct and other applicable rules and regulations dictate how assets move between Regulated and Non-regulated or Non-utility affiliates.

3.0 DEFINITIONS (continued)

3. **Assets** - Described in the following categories and sub-categories.
 - a. **Inventory** – These include materials in the 154 Account.
 - b. **Pre-Expensed O&M Material** - Material bought directly for O&M work and not put in Inventory. Disposition at cost following the Inventory disposition guidance in this document; however, the accounting treatment may be different.
 - c. **Other** – These include other materials and equipment that are not in the 154 Inventory Account and are not pre-expensed O&M material.
 - 1) Training equipment, trailers, etc.
 - 2) **Purchased but not installed** capital equipment in the Construction Work In Progress (CWIP) 107 Account.
 - For example, the LP Rotor(s) for the EPU project
 - Typically, these assets have little value as they are without warranty, and without performance guarantees.
 - These assets may be disposed during the actual Decommissioning phase of the project.
 - 3) **Purchased and installed but never been put in-service** capital equipment in the CWIP 107 Account.
 - For example, the Steam Generators
 - Typically, these assets have little value as they are without warranty, and without performance guarantees.
 - These assets are normally disposed during the actual Decommissioning phase of the project.
 - 4) **Installed and in-service** capital equipment in the Electric Plant In Service (EPIS) 101 and 106 Accounts.
 - The 101 Account is final and the 106 Account represents equipment that has not been unitized.
 - Typically, these assets have little value as they are used, without warranty, and without performance guarantees.
 - These assets are normally disposed during the actual Decommissioning phase of the project.
4. **Asymmetrical Pricing** - A pricing rule established by FERC which states that the franchised utility must receive the higher of cost or market price for providing non-power goods or services to a nonutility / non-regulated utility affiliate, and must not pay more than market price for a non-power good or service received from a non-utility / non-regulated utility affiliate.
5. **AUP - Average Unit Price** - An inventory item's average unit cost. In the Nuclear Asset Suite system, this is referred to as CUP (Calculated Unit Price)

3.0 DEFINITIONS (continued)

6. **Capital Material** – Typically other material whose cost is captured in a capital project at time of purchase, or was 0154 inventory that has already been issued out to a capital project.
 - Some of this material can also be described as a Pre-Capitalized Asset, or material whose quantity is tracked in PassPort, and at the time of issue, no additional accounting entries are generated.
7. **Disposition** – The disposal of an asset through sale, transfer, or discarding.
8. **FMV – Fair Market Value** - The current price at which an asset can be bought or sold in the market.
9. **IATA - Intercompany Asset Transfer Agreement** - A document between Duke Energy’s regulated, franchised affiliates (DEC, DEI, DEK, DEO-T&D, DEP & DEF) which has been approved or accepted on an interim basis by the state commissions.
10. **NBV – Net Book Value** – The capital asset original cost, estimated, if not known, less the amounts credited to accumulated depreciation with respect to such property.

4.0 RESPONSIBILITIES

1. **GM Decommissioning** or their designee is responsible for the approval of this procedure.
2. **Corporate Communications** is responsible for following the guidance in Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated when applicable.
3. **CR3 Financial Services Manager** and **Director Florida Accounting** are responsible for ensuring the correct accounting is used for transactions and determining net book value.
4. **Director – Major Projects Finance** and the **Managing Director – Major Projects Supply Chain** are responsible for the content of this procedure.
5. **Crystal River 3 Supply Chain Management** is responsible for:
 - Communicating the requirements of this procedure to all persons involved in the Investment Recovery processes.
 - Maintaining adequate internal controls over the Investment Recovery process and utilizing effective contract management processes.

5.0 INSTRUCTIONS

5.1 Expectations

1. This procedure applies to the governance of the CR3 Investment Recovery (IR) processes used in Major Project's Supply Chain.
2. The CR3 Investment Recovery Project, Project Execution Plan is documented at: <https://nuc.duke-energy.com/sites/CR3DDR>. All levels of management in the CR3 organization and Major Projects Supply Chain should be briefed on these documents.
3. All disposition transactions shall be performed in a prudent manner.
4. Transactions, including related contracts or other legally binding agreements, must be approved by the appropriate authority prior to execution by Duke Energy.
5. Individual transactions cannot be separated into multiple transactions for the purpose of circumventing an individual's authorized approval limit. However, transactions may be evaluated for required authority limits individually where the transactions are discrete, separate and independent of each other. The Delegation of Authority amounts and Purchasing Authority amounts apply to each transaction.
6. All CR3 Inventory (154) spare part material is listed as "For Sale" in the power industry RAPID database (www.rapidpartsmart.com). This material can be sold for AUP/CUP to other utilities via this tool at any time. Once internal fleet transfers are complete, we may sell RAPID spare parts for less than AUP/CUP to other utilities or to affiliates (see exception in Step 9).
7. Under the IR Project, all Inventory (Account 154) assets will be disposed of in the following manner:
 - a. Utilize Duke Energy internal Inventory transfers to the fleet per the Affiliate Asset Transfer e-form and process. This should follow an approach where multiple lines of CR3 inventory are matched to an affiliate and to a specific plant.
 - The one exception to using the Affiliate Asset Transfer e-form is transferring material from CR3 within Duke Energy Florida (DEF). In these cases, a Material Transfer or Material Request can be utilized within Passport to document this transfer.
 - b. Account 154 Inventory is normally transferred among regulated affiliated utilities at AUP/CUP. However, asymmetrical pricing is generally used for non-regulated utility affiliates and non-utility affiliates.
 - There is an exception in which a transfer to a regulated affiliate can take place at less than AUP/CUP. (See Step 9 for that exception.)

5.1 Expectations (continued)

- c. If not transferred internally, then segregate and bid out inventory or obtain price quotes from distributors, other utilities and/or Original Equipment Manufacturer's (OEM's), and/or re-sellers. Asset Recovery Supply Chain and/or Auction Companies can be utilized to sell material to distributors, OEM's, and re-sellers as well.
 - This establishes the FMV of bulk inventory disposal and generally yields a higher value than salvage or scrap pricing.
 - Obsolete inventory may be marketed at a target market directly or through third party vendors.
 - d. For remaining Inventory, utilize Asset Recovery Supply Chain or Auction Companies for disposition at salvage or scrap value. Note some inventory items (consumable materials, commodities, short lead time material, low value, etc.) may be salvaged or scrapped immediately.
8. Under the IR Project, all **Other** assets (non-inventory) will be dispositioned as identified below:
- a. Generally, **Other** assets may be transferred among regulated affiliated utilities at NBV or at cost for pre-expensed O&M material if the regulated affiliates identify a need. However, asymmetrical pricing, for transfers, is used for non-regulated utility affiliates and non-utility affiliates when those entities identify a need. There is an exception in which a transfer to a regulated affiliate can take place at less than NBV. (See Step 9 for that exception.)
 - b. If not transferred internally, determine the FMV by obtaining price quotes, bids, or market intelligence as applicable and bid out. In some cases, Duke affiliates may want to bid and compete against the external market. These type of sales transactions must be conducted at arm's length to ensure the integrity of the process. Additionally, any Duke affiliate winning bid is subject to approval by State Commissions and perhaps by FERC via a waiver (FERC waiver/ approval required if the winning bid is a Duke non-utility affiliate or a Duke non-regulated utility affiliate), Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated provides information to be followed in these cases.
 - 1) The bidding process for the disposition of materials and equipment shall be conducted as follows:
 - a) The bidding process shall follow MCP-NGGC-0001.
 - b) The Power Advocate sourcing tool or similar should be used for all bid events, thereby maintaining consistency with all bid event sales and document retention.
 - c) The standard approved legal form contracts or those prepared by Duke Energy's Legal Department shall be used for all third party asset contract sales in accordance with MCP-NGGC-0001.

5.1 Expectations (continued)

- c. For remaining **Other** material, utilize Asset Recovery Supply Chain or an Auction Company for disposition at salvage or scrap value.
9. There may be instances where NBV or AUP/CUP may be at a higher value than FMV, in these cases, Commission(s) approval will be required to transfer at less than NBV or AUP/CUP.
- a. Internal transfers may not have a warranty or performance guarantee associated with the Other material and consideration should also be made for any removal and shipping costs. These costs or values should be considered when comparing NBV to FMV (of an equivalent asset) and can result in a win/win for Duke Energy Florida and the internal transferee regulated affiliate.

A hypothetical example could be that Equipment A at CR3 has a NBV of \$15,000,000 dollars and a regulated affiliate needs this type of equipment; however, the current FMV from a manufacturer is \$17,000,000 delivered. The regulated affiliate has to pay \$1,000,000 in shipping costs from CR3, \$5,000,000 to modify Equipment A for their use, and the warranty and performance guarantees are estimated to be worth \$1,500,000; thus, the regulated affiliate doesn't want to pay any more than \$9,500,000 for Equipment A from CR3. From the standpoint of CR3, current salvage value (current FMV in this hypothetical example) on Equipment A is \$500,000; thus, both parties (CR3 and the other regulated affiliate) would both be potentially better off at a less than NBV and this transaction would require utility commission approval in both jurisdictions.

5.2 Asset Pricing

1. **Duke Energy Internal Transfers** - Assets are priced at either: Average Unit Price (AUP/CUP), Net Book Value (NBV), or Fair Market Value (FMV) and transferred internally via the AAT form for those assets under \$10,000,000 dollars as per the AAT process.
 - The pricing used is dependent, in part, on whether the disposition is to a Duke Regulated Affiliate or not. Pricing governance is contained in Attachment 3, Investment Recovery Asset Pricing Governance (subject to the exception described in Section 5.1, Step 9).
2. **Sales Disposition** – Assets are priced at FMV and sold via a quote or bid process.

5.3 Disposition Transaction Review and Approvals

1. **Duke Energy Internal Asset Transfers** – An AAT e-form will be completed for Duke internal asset transfers and this e-form requires the appropriate DOA (sufficient approval authority in accordance with Purchasing Authority Policy) for transfer request and transfer sending. The AAT e-form has its own set of approvals. Note that an AAT e-form and Attachment 1, Asset Disposition Review are not required for internal DEF transfers, these are documented in Passport per the Material Transfer process and must be transferred at cost (AUP/CUP or NBV).
 - a. Prior to any Duke Energy internal transfer approval, the IR Project Manager, Supply Chain Management, Engineering Manager, Director Florida Accounting, and the CR3 Finance Manager shall sign off as reviewers on Attachment 1, Asset Disposition Review - see further clarifications below.
 - The review is required by the CR3 Finance manager if the internal transfer is over \$100,000 and the Director Florida Accounting is required to review if the internal transfer is greater than \$250,000. The Tax Manager will sign off if the internal transfer is not within DEF, or to DEC, DEP, DEO, DEI or DEK.
 - b. If the Asset value is over \$1,000,000, then the following approvals (not DOA specific) shall be required and delineated on Attachment 1, Asset Disposition Review:
 - GM Decommissioning or designee
 - Rates and Regulatory Strategy Director or designee
 - Florida Regulatory Legal Associate General Counsel or designee.
 - c. If any asset is to be transferred internally and the facts demonstrate that AUP/CUP or NBV is greater than FMV, then State Commission(s) approval would be required to transfer at a lower value than NBV and perhaps FERC approval as well.
 - d. Review and Approval documents, including the AAT e-form, shall be filed and maintained by Configuration Control.

5.3 Disposition Transaction Review and Approvals (continued)

2. **Sales Disposition** –Sales disposal should be based on FMV as determined via quotes, bids or market intelligence.
 - a. Prior to any Duke Energy sale the following shall sign off as reviewers on Attachment 1, Asset Disposition Review:
 - IR Project Manager
 - Supply Chain Management
 - Engineering Manager
 - Tax Manager
 - CR3 Finance Manager ¹⁾
 - Director Florida Accounting ¹⁾
 - 1) The review is required by the CR3 Finance manager if the internal transfer is over \$100,000 and the Director Florida Accounting is required to review if the internal transfer is greater than \$250,000.
 - b. Approvals will follow the business unit DOA and Supply Chain Purchasing Authority.
 - c. If the Asset value is over \$1,000,000 dollars, then the following approvals (not DOA specific) shall be required and delineated on Attachment 1, Asset Disposition Review:
 - GM Decommissioning or designee
 - Rates and Regulatory Strategy Director or designee
 - Florida Regulatory Legal Associate General Counsel or designee
 - d. In some cases, Duke affiliates may want to bid and compete against the external market during a sales event. These type of sales transactions must be conducted at arm's length to ensure the integrity of the process. Additionally, any Duke affiliate winning bid is subject to approval by State Commissions and perhaps by FERC via a waiver (FERC waiver/ approval required if the winning bid is a Duke non-utility affiliate or a Duke non-regulated utility affiliate), Attachment 4, Duke RFP Guidelines if an Affiliate Bid is Anticipated provides information to be followed in these cases. Where a bid event is conducted and another Duke Energy entity is the winning bidder, then the hardcopy contract document signatures will satisfy the internal DOA requirements.

5.4 **Project Assurance**

1. All decisions involving asset disposition shall be made and, where practical and appropriate, documented in such a manner as to demonstrate that each decision is reasonable and prudent based upon the information reasonably available to the Company at the time the decision was made.
2. Documentation of this decision making process will be prepared to justify to the Company's regulators that best effort towards investment recovery has been made.
3. The CR3 IR Project maintains applicable project documentation in accordance with the Records Management Program. Identification and handling of Quality Assurance records shall be performed using the Investment Recovery Project Assurance Plan and RDC-0001, CR3 Records Management Program.

5.5 **Removal of Installed Assets**

1. The removal of installed assets must be performed in a manner that maintains configuration control and supports relied upon system functionality, as established by the system abandonment process (AI-9003) and schedule.
2. To ensure compliance with the system abandonment process, each installed asset requested shall be evaluated and approved by plant management.
 - a. Approval is documented on a form similar to Attachment 2, Installed Plant Equipment Removal Agreement.

6.0 **RECORDS**

1. The following documents are records when completed. Submit to Site or Corporate Configuration Control and Information Services personnel for processing and storage in accordance with RDC-0001, Records Management Program or ADM-SUBS-00106, Project Assurance Nuclear Cost Recovery Clause Library (NCRCL) Program Manual:
 - Attachment 1, Asset Disposition Review
 - Attachment 2, Installed Plant Equipment Removal Agreement
 - Review and Approval documents including AAT e-form

Asset Disposition Review

Buyer Info

Date: _____ Sold by: _____
Name Phone
 Affiliate Asset Transfer (AAT)? Yes No AAT e-Form #: _____
 Purchasing Entity (buyer): _____
Company or Duke Operating Unit

Asset for Disposition

Description*:

 Asset Offered Internally? Yes No (If No, Provide Justification*)

**Attach additional pages as necessary*

Asset Disposition Accounting

Pricing:
 Asset Value: NBV \$ _____ AUP/CUP \$ _____
 Asset Sales Price: \$ _____ Shipping & Handling \$ _____ Sales Quantity \$ _____
 Sales Tax \$ _____ **OR** Non-Taxable Code _____
(External sales only) (See examples and note below)
 Cost to Remove (if applicable): \$ _____ Total Cost to Buyer: \$ _____
Accounting (check one):
 Inventory Account 154 CWIP Account 107 EPU CWIP Account 107 POD
 CWIP Account 107 SGR CWIP Account 107
 EPIS Account 101 EPIS Account 106 Other (specify) _____
Accounting WBS: _____
Resp Ctr Project Activity Resource

Note: If non-taxable, a code should be entered indicating the reason and supporting documentation should be attached or available.

Examples of Non-Taxable Codes

- NT/EC - NT Exemption Certificate
- NT/DP - NT Direct Pay Permit
- NT/IC - NT Intercompany Transfer
- NT/OS - NT Out-Of-State Transaction

Asset Disposition Review (continued)

Disposition Review and Approval	
<u>Asset Reviews:</u>	
Asset not required in support of CR3: _____ / _____ <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> CR3 Engineering Mgr Date </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> Tax Mgr Date </div> <p style="margin-left: 100px;">(Not required for internal transfers within DEF, or to DEC, DEP, DEO, DEI, and DEK)</p> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> CR3 Financial Services Mgr Date </div> <p style="margin-left: 100px;">If Asset value is \geq \$100,000.00</p> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> Director Florida Accounting Date </div> <p style="margin-left: 100px;">If Asset Value is \geq \$250,000.00</p>	
<u>IR Project Review:</u>	
<div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> Supply Chain Mgmt Date </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> CR3 IR Project Mgr Date </div>	
<u>Asset Approvals:</u>	
<div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> GM Decommissioning Date </div> <p style="margin-left: 100px;">If Asset Value is \geq \$1,000,000.00</p> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> FL Assoc Gen'l Counsel II Date </div> <p style="margin-left: 100px;">If Asset Value is \geq \$1,000,000.00</p> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> _____ / _____ </div> <div style="display: flex; justify-content: space-between; width: 80%; margin-left: 100px;"> Rates & Reg Strategy-FL Date </div> <p style="margin-left: 100px;">If Asset Value is \geq \$1,000,000.00</p>	

Installed Plant Equipment Removal Agreement

Request	
Date: _____	Prepared by: _____
	Name Phone
Affiliate Asset Transfer (AAT)? <input type="checkbox"/> Yes <input type="checkbox"/> No AAT e-Form #: _____	
AAT Requestor Charge Number: _____	
Requesting Entity (buyer): _____	
Company or Duke Operating Unit	
Requestor Contact: _____	_____
Name	Phone

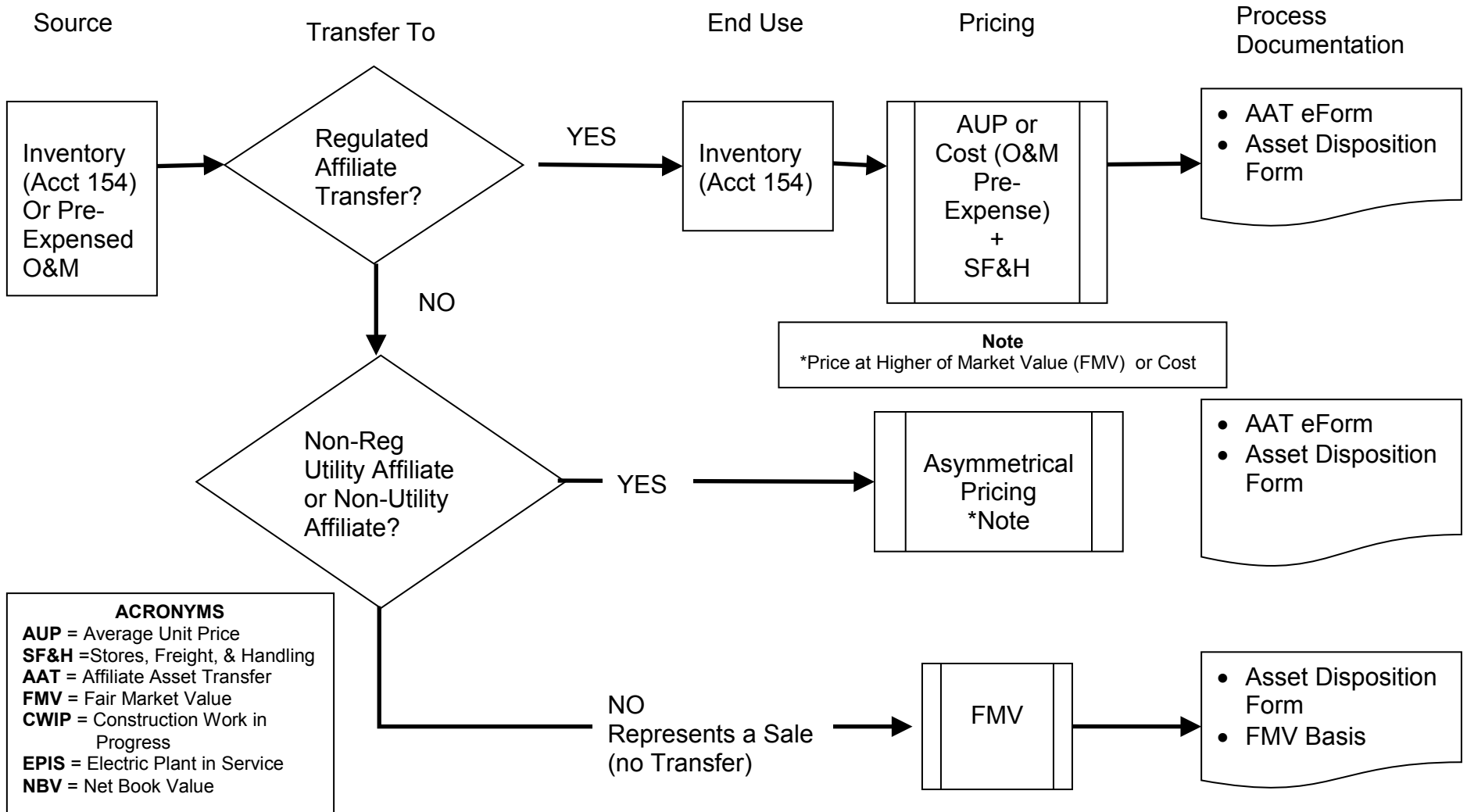
Component Requested	
System Abandoned? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Description*: (include boundaries as applicable and why feasible to remove)	
Unique Risk Exposure to Removal*:	
Estimated Removal Timeframe: _____	_____
Start	Finish
<i>*Attach additional pages as necessary</i>	

Installed Plant Equipment Removal Agreement (continued)

Estimated Cost		
<u>Man-hours</u>		
Engineering _____	Operations _____	Health Physics _____
Craft _____	Planning _____	Oversight _____
Other (specify) _____		
Total Labor Cost: \$ _____		
<u>Other</u>		
Dose _____ mRem	Shipping & Handling \$ _____	Other (specify) _____
Component Cost: <input type="checkbox"/> NBV \$ _____ <input type="checkbox"/> AUP/CUP \$ _____ <input type="checkbox"/> FMV \$ _____		
Total Cost Buyer: \$ _____		

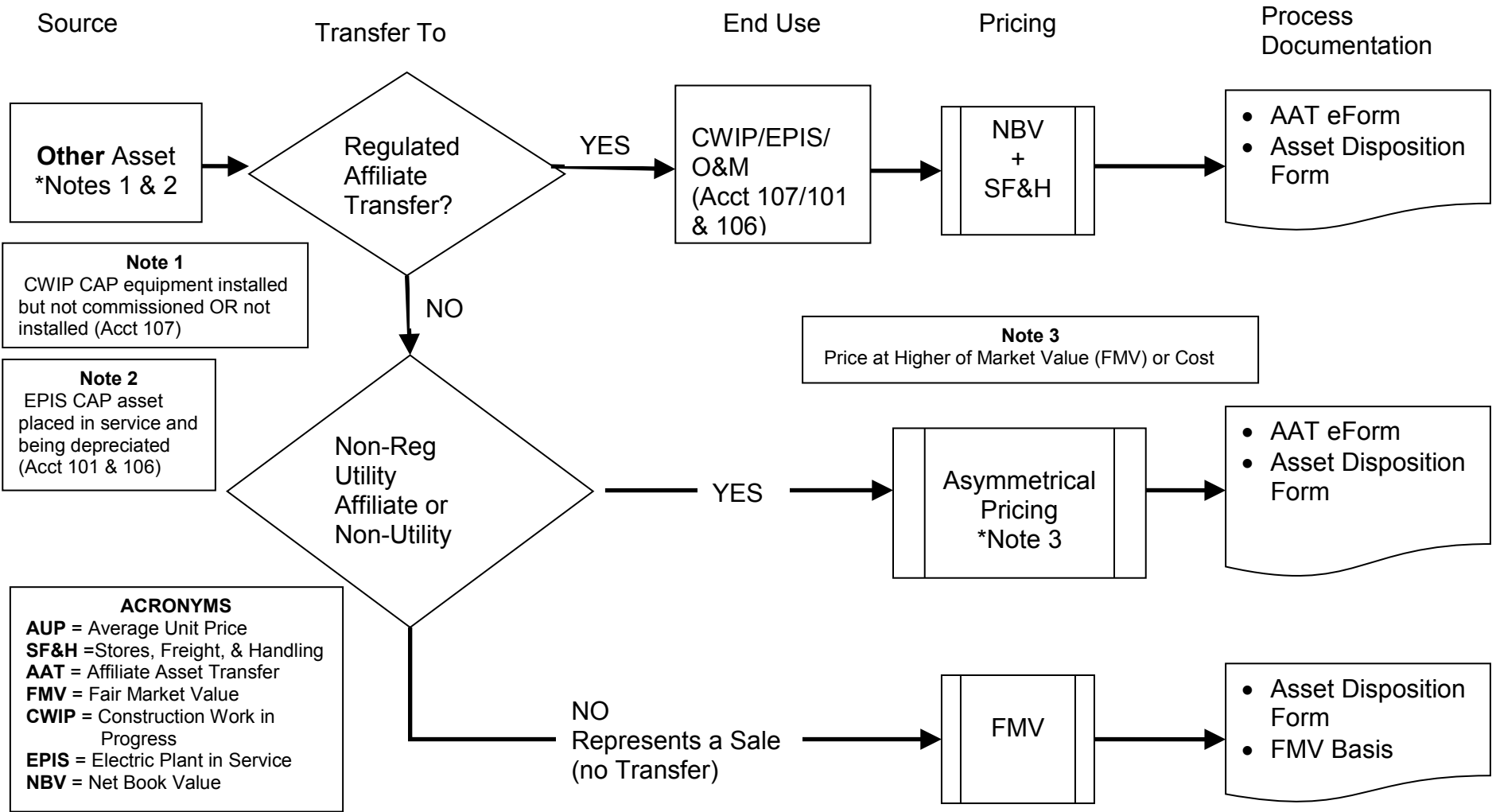
Agreement to Remove	
(Record name of individual contacted and date)	
Receipt/Need by Date: _____	
_____ / _____ CR3 Engineering Manager Date	_____ / _____ CR3 Operations Manager Date
_____ / _____ CR3 Maintenance Manager Date	_____ / _____ CR3 Plant Manager Date
_____ / _____ CR3 GM Decommissioning Date	

Investment Recovery Asset Pricing Governance



ACRONYMS
AUP = Average Unit Price
SF&H = Stores, Freight, & Handling
AAT = Affiliate Asset Transfer
FMV = Fair Market Value
CWIP = Construction Work in Progress
EPIS = Electric Plant in Service
NBV = Net Book Value

Investment Recovery Asset Pricing Governance (continued)



September 20, 2007

Duke RFP Guidelines if an Affiliate Bid is Anticipated

The fundamental objective of the guidelines is to assure that an affiliate will have *no undue advantage over non-affiliates* in an RFP issued by a regulated entity. These guidelines do not apply if no affiliate is bidding or as soon as there are no affiliates in contention.¹

FERC has ruled that compliance with the guidelines is not mandatory, but has said that compliance will greatly increase the likelihood of FERC approval of an affiliate transaction without a lengthy and expensive hearing. These guidelines were established by FERC in the *Edgar, Allegheny, and Ameren* cases.

Legal should be consulted prior to the design of the RFP when the RFP issuer wishes to allow or anticipates affiliate bids. These guidelines apply to both asset transfers and power purchase agreements.

Standards of Conduct and Code of Conduct apply whether or not an affiliate is bidding.

FOUR PRINCIPLES

1. TRANSPARENCY

- No bidder should have an informational advantage.
- Simultaneously release information to all bidders.
- Allow all interested parties to bid instead of sending invitations to specific bidders.
- Widely publicize the RFP (e.g., post RFP on web site and issue a press release).
- All communications between Duke (or an independent third party on behalf of Duke) and any bidder should be made available to all other bidders (e.g., receiving questions and posting answers on web site).
- Negotiation after a short list has been compiled or a winner has been selected is acceptable. If an affiliate is involved, an independent third party should participate in the negotiation on behalf of the issuer.
- Generally, a Duke shared support group which provides information or services to the issuer in connection with the RFP should not also provide information or services to the affiliate bidder in connection with the RFP unless such information is provided simultaneously to all bidders. Seek a legal opinion under the specific facts if this situation arises.

¹ In Ohio, CAM is an affiliate of DE Ohio Retail for Ohio Code of Conduct purposes and should be treated as an affiliate for the purpose of these guidelines.

2. DEFINITION

- RFP should reflect clear and nondiscriminatory definition of products sought including all relevant aspects.
- Capacity and term desired should be stated along with other relevant characteristics which usually will include fuel type, plant technology, and transmission requirements for example.
- If there are changes in the product specification, re-bids should be allowed.
- The RFP should not define products in a way that favors affiliates.

3. EVALUATION

- RFP should clearly specify evaluation criteria.
- Price criteria should specify the relative importance of each item.
- Non-price criteria should specify the relative importance of items (e.g., firm transmission reservation requirements, acceptable delivery points, credit evaluation, plant technology, plant performance requirements, and plant in-service date).

4. OVERSIGHT

- Use an independent third party (“ITP”) in the design, administration, and evaluation stages.
- ITP should have no financial interest in any of the bidders or in the outcome.
- ITP should not own or operate facilities that participate in the market affected by the RFP.
- ITP should be able to make a determination that the RFP process is transparent and fair and that the issuer’s decision is not influenced by any affiliate relationships.
- ITP should be the sole link for transmitting information between issuer and bidders throughout the RFP process.
- ITP should be able to assess all bids based on both price and non-price factors. ITP should have access to the same information that the issuer uses in evaluation.

If any questions arise, you can consult FERC Legal at 980-373-6609.

SUMMARY OF CHANGES
PRR 670281

SECTION/STEP	CHANGE
1.0.1, 1.1.5	Allows AI-9010 to be the governing document for CR3 New Fuel sales (<i>76 new fuel assemblies at CR3</i>) and upstream uranium sales (<i>enriched and converted</i>). "Nuclear Fuel" deleted from Step 1.1.5.
1.1.1, 5.1.8.b, 5.3.2.d, Att 4	Allows other Duke entities to compete in the open market for any CR3 sales – this can be used for the LP Rotors for example and identifies additional commission/ FERC approvals / waivers that may be needed in case Duke is the winning bidder for any of these type events.
3.0.1	Added clarification to the definition of 0154 Inventory
3.0.10	Refined the definition of Net Book Value in accordance with FERC description.
4.0.2, 4.0.3	Added additional responsibilities for Corporate Communications, CR3 Financial Services Manager, and Director Florida Accounting.
5.1.6	Added new step to describe the RAPID database.
5.1.7, 5.1.9	Added new Step 9 and references to it to describe instances where NBV or AUP/CUP may be at a higher value than FMV.
5.1.7.c	Added Auction Companies to the statement and extended sales audience
5.1.7.d	Added Auction Companies to the statement & added scrapped
5.1.8.b.1.c	Added Duke Energy's Legal Department could provide an approved legal form
5.1.8.c	Added Auction Company
5.1.9.a	Added "current" to clarify FMV where applicable
5.2.1	Clarified that the AAT form is for those Assets less than \$10,000,000 dollars
5.3.1, 5.3.2, Att 1	Added Supply Chain Management as an approval authority for internal transfers.
Various	Changed title from FL Reg and Property Accounting Mgr to Director Florida Accounting. Replaced Asset Transaction Price with Asset Value to align terminology.
5.3.2.d	Added and clarified that hardcopy Contract signatures can satisfy DOA requirements
4.0.1	Replaced VP Project Management & Construction with GM Decommissioning or their designee
5.3.1.b	Replaced VP Project Management & Construction with GM Decommissioning
5.3.2.c	Replaced VP Project Management & Construction with GM Decommissioning
Attachment #1, Page 2 of 2	Replaced VP-PMC with GM Decommissioning
Attachment #2, Page 2 of 2	Removed Director and added GM

February 25, 2014

CR3 Investment Recovery Project (IRP) Execution Plan



CR3 Investment Recovery Project (IRP) Project Execution Plan

Rev 0

Project Management and Construction Department

Duke Energy

****Please Note: This document contains confidential information and is subject to Duke Energy's Code of Business Ethics Policy. Please limit distribution accordingly.****

February 25, 2014

Approval

Revision Summary				
Rev. Number	Effective Date	Prepared By	Approved By	Approved By
0	2/25/14	Jeff LaPratt	Magdy Bishara	Terry Hobbs

February 25, 2014

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PROJECT SPONSORS

Role, Department / Group	Name	Phone No.
GM - Decommissioning	T. Hobbs	████████

KEY PROJECT STAKEHOLDERS

Role, Department / Group	Name	Phone No.
VP-PMC	Mike Delowery (acting)	████████
State Reg General Council	John Burnett	████████
State President - FL	Alex Glen	████████
VP-Chief Procurement Officer	Ron Reising	████████
MGR EGR-DTO	Emin Ortalan (acting)	████████

PROJECT MANAGEMENT CONTACTS

Role, Department / Group	Name	Phone No.
PM - PMC	Jeff LaPratt	████████
SC Lead	Chris Hendricks	████████
MGR - Major Projects	Magdy Bishara	████████

*The location of the Expanded Contact list is included in the Appendix.

PLAN REVISION CONTROL

Rev No.	Primary Author(s)	Revision Description	Rev Date
0	Project Manager	Initial Issue	02/25/14

February 25, 2014

1.0 INTRODUCTION & PROJECT DESCRIPTION

[NOTE: This is classified as a White project per PMCoE standards. Deviations from the standard PMC Project Execution Plan (PEP) template are highlighted in bracketed notes similar to this one. These deviations are deemed acceptable by approval of this PEP.]

This document presents the Project Execution Plan for the CR3 Investment Recovery Project (hereinafter “IRP” or “Project”).

Name of Station	Location	Project	Completion Date
CR3 Nuclear Plant	Crystal River, Florida	Investment Recovery	April 30, 2015

Project Description

In accordance with the August 1, 2013 Settlement Agreement (Doc No. 04433-13, Docket No. 130208-EI) with the Florida Public Service Commission (FPSC) Duke Energy is committed to using reasonable and prudent efforts to sell or otherwise salvage assets that would otherwise be included in the CR3 Regulatory Asset.

This project will develop and implement a program under which saleable CR3 plant assets are identified, maintained, marketed, sold, and removed from the site.

2.0 PROJECT OBJECTIVES & APPROVALS

The primary objective of this plan is to deliver the Project scope of maximizing return to customers and shareholders on CR3 assets through asset identification, redeployment, and disposition. The scope is to be delivered with quality, on budget, on time, and in a safe environmentally sound and prudent manner.

This project is undertaken with the following secondary objectives:

- Minimize cost and impact to CR3 decommissioning activities and trust fund, customers and shareholders.
- Identify preservation needs to avoid premature obsolescence of otherwise marketable assets.
- Coordinate with the Decommissioning Project to avoid conflicts.
- Ensure asset removal activities are performed event free.
- Ensure all decisions are made in a prudent manner and thoroughly documented.
- Ensure all sales/affiliate asset transfers are properly classified for proper accounting treatment.
- Comply with all applicable laws, rules, regulations and ordinances.
- Minimize risk associated with the re-sale and subsequent use or disposal of project assets.

February 25, 2014

Total Authorized, Current Projections

Table 1: Key Project Objectives	
Scope	Reduce the CR3 Reg Asset through the disposition of assets in the following categories: <ul style="list-style-type: none"> • Inventory (FERC 154 Account) • Construction Work in Progress (CWIP) • Electric Plant In-service (EPIS)
Total Project Cost	\$3,408,104
Schedule [Project Completion Date]	April 30, 2015
Quality [Performance Objective]	Obtain prudence determination on all asset dispositions or transfers as appropriate

Internal Project Approvals

The IRP is a White, non-construction project that doesn't fit the traditional PMC construction stage-gate process. Per PMCoE standard PJM-00001-POLICY, *Achieving Excellence in Project Management*, for white projects, compliance with PMCoE Standards is at department discretion; therefore, elements of this PEP and approvals are tailored specifically for this project.

Duke Energy, and CR3 by extension, committed to performing the IRP as part of the August 1, 2013 Settlement Agreement with the FPSC, and acts as the authorization to implement this Project. Duke Energy Finance, Legal, and Regulatory Rates & Strategies have determined that because disposition proceeds go to reduce the Regulatory Asset (Reg Asset), that costs associated with the disposition shall be added to the Reg Asset for a net reduction. As such, no traditional funding approvals are necessary (e.g.; 201, WPCO). The Project Sponsor acknowledges estimated costs contained in the Project Charter. In no case is it prudent for costs to exceed disposition proceeds; the Project monitors these and will initiate discussion on project continuance should costs approach disposition proceeds.

PMC management has determined that the following project elements be developed and maintained for the Project:

- Project Charter
- Class 3 (or better) estimate
- Baseline Schedule
- Risk Assessment and Analysis
- PEP

The approval of this PEP recognizes the above positions in addition to project approach.

February 25, 2014

3.0 IRP SCOPE BASELINE

The CR3 Investment Recovery Project consists of the following scope:

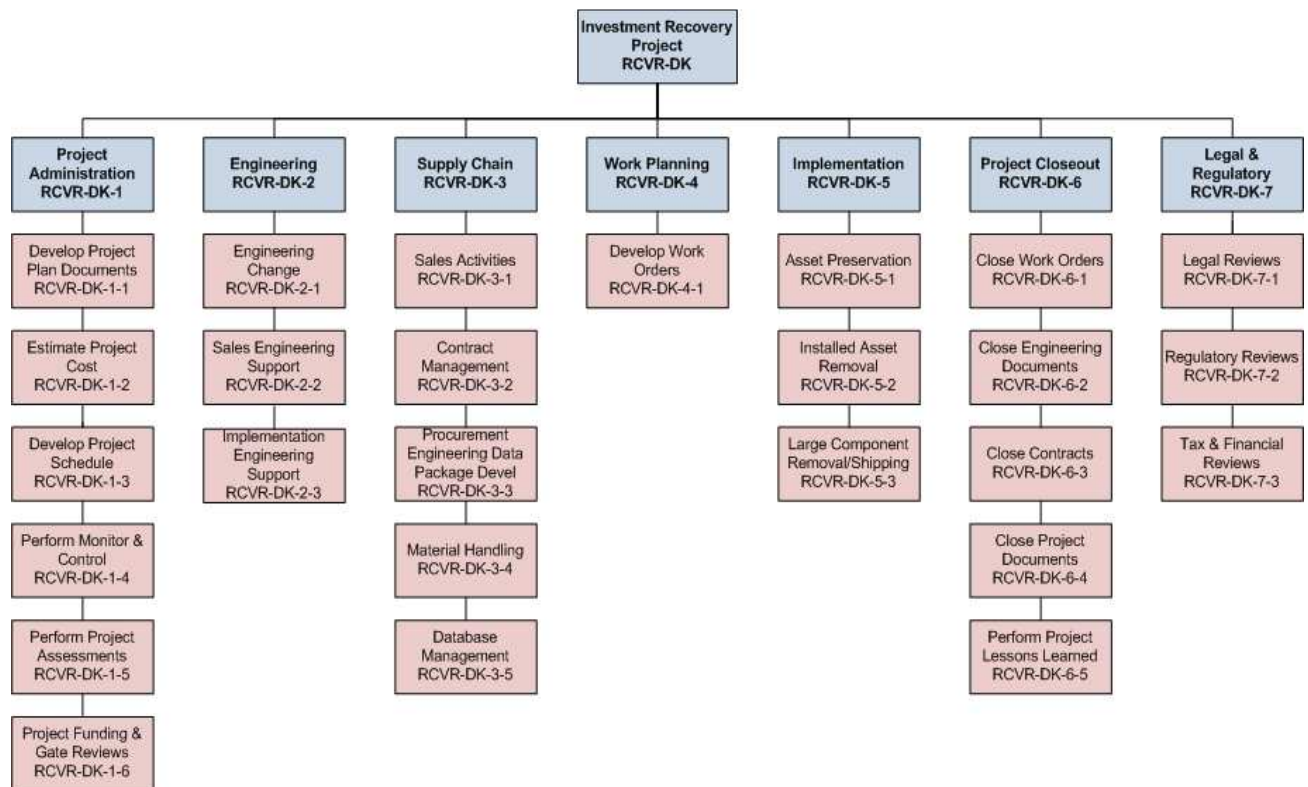
- Inventory and catalogue saleable assets.
- The financial analysis to determine asset value.
- The engineering, procurement, and construction activities necessary to preserve saleable assets.
- Sales and marketing activities, including the establishment of strategic partnerships.
- Contract development and execution for necessary engineering, procurement, maintenance/preservation, asset removal and shipment, and warranty.
- Limited to the following plant equipment assets:
 - Warehouse inventory (FERC Account 154)
 - Construction Work in Progress (CWIP) (FERC Account 107); which is further subdivided into:
 - EPU
 - EPU Point of Discharge (POD) helper cooling towers
 - SGR
 - Other
 - Electric Plant In-Service (EPIS) (FERC Accounts 101 and 106)
- The scope specifically excludes nuclear fuel and real property.

The level 1 Scope of Work (SOW) for the Project is broken into a PMC WBS package. The work scope in the WBS includes activities necessary to plan, organize, integrate, budget, measure, and control performance. These activities ensure that the Project accomplishes the mission on schedule in a safe, prudent, and cost-effective manner.

February 25, 2014

WORK BREAKDOWN STRUCTURE

The WBS is used to organize and integrate the Project Scope Baseline. Figure 1 shows the top levels of the Project.



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CR3 Investment Recovery Project (IRP) Execution Plan

4.0 SCHEDULE BASELINE

The Project Baseline Schedule approval form is provided in Appendix F. The Project Controls Manager is responsible for establishing and documenting the schedule Baseline process and to assist the Project Manager in setting up the Schedule Management system for the Project.

The following major milestones are contained in the schedule:

Milestone	Baseline	Forecast Date	Actual Date	Critical Path
Initial funding milestone with Project Charter	Jul 13	Jul 13	Jul 13	N
Develop Project Scope and Level 1 Schedule	Jul 13	Jul 13	Jul 13	N
Build Team and Processes	Aug 13	Aug 13	Aug 13	N
Begin Investment Recovery	Aug 13	Aug 13	Aug 13	N
Approve Governance	Oct-13	Oct-13	Oct-13	N
Commence Market of CWIP Large Components (internal)	Oct-13	Oct-13	Oct-13	N
Develop Duke Inventory Match Lists	Nov-13	Nov-13	Nov-13	N
Commence Market of CWIP Large Components (external)	Nov-13	Nov-13	Nov-13	N
Commence Market of EPIS Components (external)	Nov-13	Nov-13	Nov-13	N
Commence Tranche 6 Disposition	Jan-14	Jan-14	Jan-14	N
Commence Tranche 1 Disposition	Feb-26	Feb-26		N
Nuclear Fleet Review Completed – Commence Pull & Ship	Mar-14	Mar-14		N
Commence Tranche 2 Disposition	Apr-14	Apr-14		N
Complete Market of CWIP Large Components (internal)	Apr-14	Apr-14		N
Complete Tranche 1 Disposition	Apr-14	Apr-14		N
Fossil Fleet Review Completed – Commence Pull & Ship	Apr-14	Apr-14		N
Commence Tranche 3 Disposition	May-14	May-14		N
Complete Tranche 2 Disposition	May-14	May-14		N
Complete Market of EPIS Components (external)	Jun-14	Jun-14		N
Commence Tranche 4 Disposition	Jul-14	Jul-14		N
Complete Tranche 3 Disposition	Jul-14	Jul-14		N
Commence Tranche 5 Disposition	Aug-14	Aug-14		N
Complete Tranche 4 Disposition	Aug-14	Aug-14		N
Complete Market of CWIP Large Components (external)	Aug-14	Aug-14		N
Complete Tranche 5 Disposition	Sep-14	Sep-14		N
Complete Tranche 6 Disposition	Sep-14	Sep-14		N
Cleanup & Project Closeout Complete	Apr-15	Apr-15		N
Complete Investment Recovery	Apr-15	Apr-15		N

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5.0 COST BASELINE

Upon approval of the Initiate Gate Package by Duke Energy Management, the Project Cost Baseline will be established and documented through the Cost Baseline approval process. The Initiate Gate approved estimate will be used as the basis of the Cost Baseline. The Project Controls Lead is responsible for establishing and documenting the Cost Baseline process and assisting the Project Manager to set up the Cost Management System for the Project.

The Project Cost Breakdown Structure (CBS) is as follows:

Project Level 2 Number	Oracle Level 1 Task	Level 1 Task Description	Oracle Level 2 Task	Level 2 Task Description	Passport WO #
20104219	1000	Project Management	1001	Project Management	1868133-13
			1002	Contracts	1868133-13
			1003	Materials/Other	1868133-13
			1004	Project Management Other	1868133-13
	2000	Sales	2001	Sales Labor	1868133-14
			2002	Sales Material Handling	1868133-15
			2003	Sales Contracts	1868133-14
	3000	Removal Costs	3001	Removal Costs - LPT	1868133-15
			3002	Removal Costs - POD	1868133-15
			3003	Removal Costs - CWP	1868133-15
			3004	Removal Costs - EPU Preservation	1868133-15
			3005	Removal Costs - POD Preservation	1868133-15
			3006	Removal Costs - Other Preservation	1868133-15
	3999	Removal Costs - Non-reimbursable	1868133-15		

The Project Cost Baseline and subsequent performance reporting to key stakeholders and sponsors will be made in the Financial View. The Project does not receive any AFUDC charges and none will be reported.

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TOTAL PROJECT COST BASELINE & ESTIMATE AT COMPLETION (EAC) FORECAST

The Total Project Cost Baseline will include PMC and other entities baselines.

Total Project Cost Baseline [Financial View]

Cost Baseline	Expected	Range
PMC	\$3,408,104	\$3,067,294 - \$4,089,725 (Min – Max)
Other Entities	\$0.0	\$0.0
Total Project	\$3,408,104	\$3,067,294 - \$4,089,725 (Min – Max)

Total Project Cost History [As Approved by Project Charter]

Charter Revision	Expected	Range	Approval Date
Rev 0 (initial)	\$1,500,000	\$1,500,000	07/16/13
Rev 1/EAC	\$3,408,104	\$3,067,294 - \$4,089,725 (Min – Max)	02/20/14

6.0 IRP ORGANIZATION

See Appendix A for IRP Organization Chart

DUTIES AND RESPONSIBILITIES FOR EACH PROJECT MEMBER/ORGANIZATION**Project Sponsor**

The Project Sponsor is an executive level manager who functions as the primary customer of the Project team. The success of the Project is determined by the satisfaction of the Sponsor. The Project Sponsor for this project is the GM Decommissioning.

Project Manager (PM)

The PM has the overall authority and responsibility for execution of the Project in order to achieve all work safely, within budget, and on schedule. The work must be completed in compliance with all required local, state, and federal laws and regulations. The PM is responsible for planning, executing, controlling, and closing the Project. This is largely accomplished by coordinating the efforts of the Project team to develop and implement the Project Execution Plan and by taking corrective action when Project objectives are in jeopardy. The PM reports to the Manager of Nuclear Projects.

Specific responsibilities of the PM include:

- Preparation of the Project Execution Plan
- Directing and managing the Project team for the execution of the Project

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- Organizing and leading the Monthly Executive Meeting of the Project
- Managing the interfaces between stakeholders and within the Project team
- Manage and develop project team organization
- Identify and obtain resources to ensure project success (either matrix or directly assigned)
- Responsible for resolution of critical issues/opportunities
- Provide direction to project team leaders to promote project success, continuity, and consistency
- Monitor and report project performance and initiate any needed corrective action to keep the project on track
- Primary interface with CR3 Decommissioning Management. Includes providing status updates and resolving critical issues/opportunities needing management awareness or involvement
- Primary interface with the PMC Leadership Team. Includes providing status updates and resolving critical issues/opportunities needing senior management awareness or involvement
- Reviews and assesses overall schedule for achievability of critical milestones and adequacy of contingency plans

Supply Chain Functions

The Supply Chain (SC) Organization is the primary resource for IRP asset dispositions and is the largest contributor to the Project. The SC roles in the IRP are:

Supply Chain IRP Lead

The IRP Supply Chain Lead has overall supervisory responsibility for the IRP sales organization. The IRP Sales Lead and direct reports in **Contracts** and **Sales**, have responsibility for the following:

- Compile a list of site assets, inventory, and other items of value that will be redeployed, sold or scrapped.
- Provide a level of oversight for on-site asset recovery dispositions.
- Manage the population of the Investment Recovery Database.
- Identify potential buyers and determine sale/marketing plan for various assets.
- Develop / coordinate the contract bid, evaluation and execution process for assets that will be sent out for bid.
- Provide technical input on requested assets as required by potential customers.
- Qualify bidders to assure credit worthiness, or advance payment where credit worthiness is in doubt.
- Provide technical input and manage the results / inquiries from Recovery Seeker

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- Assure that a signed contract is in hand, based on standard forms approved by the Legal department, or an alternate form approved by the Legal Department before releasing the project asset to the buyer.
- For international sales (direct or indirect), assure that all regulatory approvals are obtained before releasing the project asset to the buyer.
- Complete Affiliate Asset Transfer Forms for all assets transferred to other Duke Energy affiliates.
- Work with Field Organizations/Contractors for the coordination to release assets from the site.
- Package and ship smaller assets to successful purchasers.
- Manage the retrieval of documentation and generation of Certificates of Conformance required for the sale of safety related assets.
- Coordinate assets that will be dispositioned by the Corp Asset Group
- Manage and Monitor invoicing and outstanding receivables.

Major Projects Materials Lead

- Coordinates accounting and control of CWIP materials.
- Supports removal and shipping of CWIP materials.

Supply Chain Support – Asset Recovery

- Primary interface for salvage of equipment.
- Supports asset disposition through their known channels.

Financial Analyst

- Provide leadership and management of finance.
- Track costs and value of divested materials.
- Ensures proper accounting of monies received from assets divested.
- Provides NBV and other cost information.

Legal / Regulatory / Tax Support

- Contract form development and negotiation support.
- Provide legal interpretation/guidance on contractual issues.
- Assist in contract dispute resolution, as necessary.
- Support the Affiliate Asset Transfer process.
- Provide support to ensure that the project remains within governance and demonstrates prudence.
- Supply advice and assistance on export control regulations.

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- Provide guidance on tax issues.

Engineering

- On an as-needed basis, provides support for the removal of major assets.
- Provides technical information on assets.

Major Projects Implementation

- Provide leadership and management of large or complex asset removal tasks.
- Assist the Task Managers in monitoring contractor's work planning and execution for removal tasks
- Work with the Task Managers to resolve any work practices considered significantly inefficient, ineffective or unsafe.
- Performs necessary inspections of the Contractor's work to assure compliance with QA/QC policies and procedures.
- Identifies any deficiencies and works with the appropriate Task Managers to have these resolved by the Contractor.
- Assure that the Contractor assigns sufficient qualified workers to meet planned performance.
- Assist the Task Managers with monitoring corrective and preventive actions taken on incident investigations and non-conformances (NCRs).
- Report any barriers to the Task Managers to achieving key milestones and/or any recovery plans in place to mitigate barriers.
- Interface with the appropriate Task Managers to address any potential scope or technical issue.
- Participate in the oversight of the Contractor's implementation of their site-specific safety and environmental programs.
- Coordinate and oversee the Contractor's implementation of Duke Energy's lifting and rigging program.

Project Controls (PC) Supv / Principal PC Specialist / Scheduler

- Review schedule updates for accuracy, reasonableness and impacts.
- Interface with Station scheduling regarding tie-ins and resource requirements.
- Prepare schedule update summaries (e.g., Key Milestones, Critical Path and Look Ahead, etc.) as requested by the IRP PM.
- Evaluate schedule variance corrective actions for appropriateness and reasonableness and provide results to the Project Manager and other appropriate Project team members.
- Evaluate forecasts regarding accuracy, appropriateness and reasonableness of schedule logic, durations and resources for remaining activities.

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- Develop and maintain project cost estimate/cash flow forecast, analyze trends and provide current information to the PM, other appropriate Project team members and appropriate Project and Department Management.
- Review Monthly Work-Hour and Cost Transaction Reports for appropriateness and reasonableness of labor, materials and subcontract charges made to the project, including where charges may not be covered or where they exceed the Project Funding Authorization. Follow up with appropriate personnel regarding any inappropriate and/or unreasonable charges.
- Maintain Change Management System for identified changes in project cost, schedule, and cash flow. This includes Change Orders for work scopes. Develop cost / schedule forecast for identified scope changes.
- Support annual Corporate Budgeting process and provide monthly cash flow projections.
- Provide schedule updates for Duke Energy's subproject within the integrated project schedule.
- Incorporate contractual and key stakeholder activities into overall project schedule.
- Provide project reports to Project Leadership Team on overall Project performance and forecasts compared to key milestones, Project funding, and annual budgets.

Project Assurance Advisor

The Project Assurance Advisor provides support to the Project through education and awareness of Company policy. The Advisor ensures that all material decisions involving expenditures for which cost recovery is sought are made and documented in a manner that will allow Duke Energy to achieve full and fair recovery through the regulatory process. They execute duties specific to the Project include: developing and delivering education and awareness programs to Project personnel and ensuring that documentation of Project decisions is adequate to explain the basis for the decision, and reasonableness thereto. They also develop the Project Assurance Plan for the Project.

RACI CHART FOR PROJECT ORGANIZATION

A Responsible, Accountable, Consult, Inform (RACI) chart that further clarifies organizational responsibilities by activity is provided in Appendix B.

7.0 DISPOSITION STRATEGY & MANAGEMENT

[NOTE: Section titled changed from Procurement Strategy to Disposition Strategy due to the unique nature of the Project]

Strategic Approach and Rational

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The Project will disposition assets in a manner that maximizes the reduction of the Regulatory Asset. The methodology employs a systematic, sequential approach as illustrated in Appendix D – DISPOSITION STRATEGY FLOWCHART.

The illustrated systematic approach focuses on internal transfer of the asset first as, per the Affiliate Asset Transfer Agreement (AATA) and Affiliate Asset Transfer (AAT) process, assets transferred internally are at Average Unit Price (AUP). Large asset distribution efforts have historically returned a fractional percentage of AUP overall, therefore, receiving AUP or greater for an asset is advantageous to our customers.

Following internal transfers, in terms of expected returns, are marketing to utilities, then 3rd party resellers, then salvage and scrap (in order from high to low).

Assets are segregated (or “bucketed”) by AUP tranches. Large asset distribution efforts have also shown that the overwhelming amount of total value is returned by a small amount of the asset set. In the case of the CR3 inventory asset set of 1.4M items, Tranches 1 through 5 represent approximately 12,000 items and approximately 85% of inventory value. The project will place special focus on Tranches 1 through 5 and the requisite marketing effort they demand.

Disposition of Tranche 6 is labor intensive to disposition due to the significant number of items, with expected return being low.

Governance

Governance for the Project is provided in AI-9010, *Conduct of CR3 Investment Recovery*. The strategic approach outlined above is congruent with the requirement stated in AI-9010.

Guidance

Guidance for consistent implementation of each sales track (Affiliate Transfer, Utility/OEM, 3rd Party Reseller, and Scrap/Salvage) is contained in Investment Recovery Guidance Document IRGD-001, *Sales Track Guidance and Documentation Package Development*. This guidance document also provides information on Project Assurance (PA) SharePoint organization and file naming convention for PA documents; with each disposition having a completed checklist of required actions completed.

8.0 IMPLEMENTATION AND IMPLEMENTATION MANAGEMENT

[NOTE: Section titled changed from Construction to Implementation due to the unique nature of the Project]

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Removal of Installed Assets

The removal of installed assets must be performed in a manner that maintains configuration control and supports relied upon system functionality, as established by the system abandonment process (AI-9003, *System Evaluation and Categorization*) and schedule.

To ensure compliance with the system abandonment process, each installed asset requested will be evaluated and the removal approved by plant management. This approval process will also review risks associated with the removal to ensure that the plant is willing to accept those risks for the sake of disposition. Approval is documented on a form contained in AI-9010, *Conduct of Investment Recovery*.

Large Component Removal and Shipping

Multiple large CWIP components that are not installed, such as the Low and High Pressure Turbines, POD Cooling Tower, and feed water heaters, will be removed for shipping by the Major Projects Implementation group. These are significant efforts requiring specialized skills and equipment.

The removal of an installed asset or large component removal and shipping activities are handled as a stand-alone task with a specific task plan developed. Costs to remove installed assets will be the sole responsibility of the buyer.

Implementation oversight shall be provided by Duke Energy's PMC department.

9.0 INTEGRATION, COMMISSIONING AND TURNOVER STRATEGY & MANAGEMENT

[This section is not applicable to the Project as there are no integration, commissioning or turnover activities associated in this non-construction project.]

10.0 SCOPE MANAGEMENT

The Scope Baseline will be controlled and maintained by the Project Manager in accordance with PJM-00008-ENTSTD. Changes to the Scope Baseline will be managed through the Integrated Change Control (ICF) process utilizing Integrated Change Control Forms (ICF) processed in the PassPort system.

11.0 SCHEDULE MANAGEMENT

The Project will use Primavera P6 or higher version as the primary scheduling software.

The Project Scheduler is responsible for the following weekly activities at a minimum:

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1. Quality of the fully Integrated schedule
2. Weekly schedule review meetings
3. Schedule updates
4. Change trends.

Schedule Development

A detailed, resource loaded Level 3, including Duke Energy critical interface points is developed for all disposition activities. Additional schedule elements for the removal of installed assets and large component removal and shipping activities will be developed and added to the overall integrated schedule.

The Project Controls Manager will then implement the PMC Schedule Baseline approval process as per the PMC-PRC-00-AD-0009 PMC Project Schedule Management procedure. This process establishes the fully Integrated Baseline schedule. The Project Scheduler will refer to the PMC-PRC-00-AD-0009 PMC Schedule Management procedure regarding file naming, data archive, and overall schedule management process details for the Project.

Upon approval/sign-off on the Project Schedule Baseline, the Project Manager then officially accepts the Level 3 schedule as the Baseline schedule.

The Schedule Baseline will then be controlled and maintained by the Project Manager with assistance from the Scheduler. Changes to the Schedule Baseline will be managed through the ICF process. The Project will utilize Primavera P6.8.1 or higher version as the primary scheduling software.

Schedule Analysis

The Schedule will be reviewed and analyzed for float, completeness, logic, open ends, contractual dates, and milestones, on a weekly basis by the on-site Project Controls personnel. Any feedback or corrections on the schedule will be communicated by Project Controls to the contractor and also noted as minutes from the weekly on-site Project Controls meeting.

Earned Value Reporting and Analysis

One of the key responsibilities of the Scheduler is to track, analyze, and audit the Earned Value. The analysis will be communicated through the internal weekly Project Controls reports as well as monthly reports which will be circulated to the Project Manager and other key individuals. For this Project, Earned Value metrics will include:

- Schedule Variance

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- Cost Variance
- Estimate at Completion (EAC)
- Estimate to Completion (ETC)

12.0 COST AND FINANCIAL MANAGEMENT

Upon Establishing the Project Cost Baseline Structure, Project Controls develops a Cost and Finance Management system for the Project in accordance with PJM-00012 and PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure.

The Project will maintain and communicate total cost-to-date, un-awarded costs, pending change orders, ETC, and EAC through monthly reports.

Accruals will be recorded in compliance with the corporate accrual policy. The Cost Baseline will be controlled and maintained by the Project Manager with assistance from Project Controls and Finance Lead.

The Project Cost Lead is responsible for assembling the updated Project Cost package by the 10th of each month for team review. The team includes the Project Director, Finance Lead, Implementation Manager, and or Supply Chain.

The Project Manager will approve the final communication package regarding Project cost performance prior to mass distribution.

The Project Controls Cost Lead and Finance Lead will assist the PM to control and maintain the total Cost Baseline of the Project. Changes to the Cost Baseline will be managed in accordance with PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure.

Contingency Management

Per PMC-PRC-NA-AD-0014 Cost & Contingency Management Procedure, project contingency (Estimate uncertainty & Risk Contingency) drawdown will process through Change Control process utilizing ICFs. ICFs and contingency drawdown will be analyzed on a monthly basis and will document use of Contingency drawdown and Deviations against appropriate CBS. Contingency balance will be assessed against ETC and Risk profile and adequate explanation will be added in the report.

Risk update meeting will be conducted to evaluate updated Risk EMV for the project, Risk coverage ratio will be determined and analysis will be communicated in the analysis section to reflect the project's assessment on update risk profile.

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Accounting Considerations

Accounting considerations are contained in Investment Recovery Guidance Document IRGD-001, *Sales Track Guidance and Documentation Package Development*. This provides a “roadmap” to how the IRP accounting is setup and how the Project ensures that it is accurately capturing and reporting IRP costs and sales, and that IRP net sales are correctly reflected as a reduction to the Reg Asset.

CBS and WBS Relationship

The CBS and WBS are aligned as follows:

Project Level 2 Number	Oracle Level 1 Task	Level 1 Task Description	Oracle Level 2 Task	Level 2 Task Description	WBS Element(s)
20104219	1000	Project Management	1001	Project Management	RCVR-DK-1-1, RCVR-DK-1-2, RCVR-DK-1-3, RCVR-DK-1-4, RCVR-DK-1-6, RCVR-DK-6-4, RCVR-DK-6-5
			1002	Contracts	RCVR-DK-3-2, RCVR-DK-6-3 PM contracts only
			1003	Materials/Other	TBD
			1004	Project Management Other	RCVR-DK-1-5, RCVR-DK-7-1, RCVR-DK-7-2, RCVR-DK-7-3
	2000	Sales	2001	Sales Labor	RCVR-DK-2-1, RCVR-DK-2-2, RCVR-DK-2-3, RCVR-DK-3-1, RCVR-DK-3-3, RCVR-DK-3-5, RCVR-DK-6-2
			2002	Sales Material Handling	RCVR-DK-3-4
			2003	Sales Contracts	RCVR-DK-3-2, RCVR-DK-6-3
	3000	Removal Costs	3001	Removal Costs - LPT	RCVR-DK-4-1, RCVR-DK-5-3, RCVR-DK-6-1
			3002	Removal Costs - POD	RCVR-DK-4-1, RCVR-DK-5-3, RCVR-DK-6-1
			3003	Removal Costs - CWP	RCVR-DK-4-1, RCVR-DK-5-2, RCVR-DK-6-1
			3004	Removal Costs - EPU Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
			3005	Removal Costs - POD Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
			3006	Removal Costs - Other Preservation	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1
3999	Removal Costs - Non-reimbursable	RCVR-DK-4-1, RCVR-DK-5-1, RCVR-DK-6-1			

13.0 RESOURCE MANAGEMENT

Staffing

The Project will utilize a cross functional team to plan, execute, monitor, control and close the Project as mentioned under "Organization Duties & Responsibilities and Approval Entities" section. Personnel that are working on the Project will charge their time and expenses as per the appropriate CBS. The hours and expenses of the internal personnel charging to the Project will be reviewed on a monthly basis. The Finance Lead will be responsible for running the Duke Energy direct labor report and will review the

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report, along with the Project Controls Lead and the Project Manager, to ensure that all time and expenses being charged to the Project have been done so appropriately.

Kick-off Meeting

The Project Manager will conduct a Project Kick-Off Meeting on-site with all members of the Project team to go over execution strategy in detail including processes, procedures, roles and responsibilities, ground rules on-site, contract management at Site level, interface with other entities during execution phase, communication plan and rules, etc.

CR3 SUPPORT

Plant Operations

The project will interface with operations to obtain necessary equipment clearances to allow work to proceed safely and to maintain configuration control and protect spent fuel pool interface systems.

Training

The project leadership team is committed to ensuring only properly trained and qualified individuals are assigned to work independently. Existing CR3, Duke Energy fleet or industry training material will be used whenever possible to minimize the need to develop new training material. When needed, additional training will be designed and specific training material will be developed. Fleet training procedures will be used as a reference to guide project training activities.

As each individual is hired, specific initial and continuing training needs will be identified by comparing the individual's knowledge, skill, and experience with the position-to-training matrix. In addition, individual qualification requirements will be identified. Training personnel and project supervision will collaborate to determine the topics from which training exemptions will be granted. Training and qualification requirements and completion status will be maintained in the station's personnel qualification database.

Radiation Protection

Radiation Protection and Control will be implemented for the project in accordance with Site Radiation Control & Protection Manual. The project will interface with the site Radiation Protection staff responsible for ALARA planning, work permit development, and briefings. The project will integrate with station field resources for RP coverage and surveys.

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Radiation Protection will also be responsible for oversight of vendor plans for material removal. This includes responsibility for survey and release of any material leaving the radiation controlled area and site.

Engineering

Duke Energy staff will have the primary responsibility for the design and field implementation support of the project. Vendors will be utilized as required to provide specialized analysis and skills.

CR3 Site Engineering will support project development, contractor adherence to performance requirements, maintain knowledge of current project issues, facilitate the resolution of technical issues, and ensure internal stakeholders adequately and expeditiously review project deliverables.

Security

Duke Energy will maintain responsibility for site security and protection. All project site activities will be subject to the site security plan. The project will interface with the site security supervisor to integrate project activities with Security.

14.0 QUALITY MANAGEMENT

The Project will abide to CR3 Nuclear Oversight Program and Policies. The CR3 Nuclear Oversight Staff will be utilized to accomplish these functions. The goal of the Nuclear Oversight (NOS) is to provide nuclear oversight for the execution of the Project in accordance with the CR3 QA Program manual and Nuclear Oversight policies and Procedures including AD-NO-ALL-0500, Major and Complex Project Oversight.

Lessons Learned

Application of lessons learned and operating experience will be integrated into the planning and execution of the Project. Lessons learned and operating experience from other Duke generating plant retirements and industry operating experience from similar work activities will be incorporated. Formal disposition of Operating Experience will be in accordance with CAP0200, Conduct of Performance Improvement as applicable.

Corrective Action Program

The Corrective Action Program (CAP) establishes the processes and responsibilities for documenting and resolving problems, including conditions adverse to quality. The program is designed to address problems in a manner consistent with the nature of the condition and its importance to nuclear safety,

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industrial safety, or equipment reliability. The Project will utilize the station corrective action program throughout the duration of the project to address all issues related to owner and vendor actions.

Safety Conscience Work Environment

Project leadership will work to maintain a safety conscience work environment on the project. The project will integrate into the station Safety Culture Program, ADM0119.

15.0 RISK MANAGEMENT

The Risk Management process through-out the Project will be in accordance with in accordance with PJM-00004, PJM-00013, PJM-00013 Guide and PMC-PRC-NA-AD-0016 Risk Management Procedure.

The Project will utilize a Risk Register, Top Ten Post Response Strategy Risk Matrix, Risk Radar and Risk Trend tools to monitor, control, and communicate the status of Project risks on monthly basis at a minimum.

The Project will utilize the current available template of the Risk Register tool as provided on the PMCoE SharePoint Site. The PMC Project Controls Lead will ensure that the Project risk register is updated on a monthly basis, in advance of and in support of the monthly Project review meeting.

16.0 COMMUNICATION MANAGEMENT

Emergency Incidents

The affected party will immediately notify the Duke Energy Project Manager. The PMC Project Manager maintains the Incident Notification log through-out the Project life-cycle for record and audit purposes.

For Safety Incidents

- The first person at the site of an accident or incident where medical assistance is required shall immediately call 5555 or the appropriate emergency number for the work location.
- The Site Safety Lead or Project Implementation Manager will notify the PMC Project Manager & PMC Safety Lead (Charlotte) per the Management Intervention Plan (MIP).
- The Site Safety Lead will complete the first notice of serious event or OSHA recordable, approved by Site management & distributed as instructed through Plantview (PMC internal only), per the Management Intervention Plan (MIP) .

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- The PMC Project Manager will make notifications per the Management Intervention Plan (MIP).
- The Project Implementation Manager will make notifications per the Management Intervention Plan (MIP).

For Environmental Incidents

- The Site Environmental Lead or Project Implementation Manager will make notifications per the Management Intervention Plan (MIP).
- The Site Environmental Lead or PMC Site Construction Manager will immediately notify the PMC Project Director & PMC Environmental Lead (Charlotte).
- The PMC Project Director will notify the GM-PMC and Plant/Station manager.
- The PMC Site Construction Manager will notify the PMC Manager-Site Construction.

NOTE: The PMC Environmental Lead (Charlotte) coordinates and manages all agency notifications through Duke Energy EHSS. Contractors will not make agency notifications or public comment releases to the press.

Meeting Schedules

Project meetings will be held on a weekly and monthly basis.

Key Decisions

The Project Manager will use the ICF Change Control Process to seek VP, PMC approval prior to implementing a key decision on the Project which is not addressed at any other forum. For instance, the Project decision to Re-Baseline schedule will be tracked and approved through this process.

Lessons Learned Management

Lessons Learned will be documented in accordance with the PMC-PRC-00-AD-0007 Performance Improvement (PI) procedure.

All Project lessons learned will be documented in Plantview and also reported through the monthly report review process.

After Action Review (AAR)

Following critical evolutions and other major events the Project team will conduct AARs in accordance with the PMC PI procedure.

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Post-Project Debriefing

During the Project's close phase, the Project team will perform a post-Project debriefing to facilitate identification of lessons learned in accordance with the PJM-00019-ENTSTD Project Close Management Standard.

17.0 COMPLIANCE MANAGEMENT [SAFETY, ENVIRONMENTAL, AND REGULATORY]

Safety Plan

The Site occupational health and safety focus incorporates Duke Energy Corporate procedures applicable to the Site, Corporate Development Group - Health and Safety Management System, and applicable operating plant health and safety procedures.

Occupational health and safety expectation includes adequate oversight and continuous improvement throughout the Project.

Environmental Permits

There are no environmental permits expected for the Project. The need for permits required to support large component removal and shipment will be addressed in the individual Task Plan(s) developed.

Environmental Compliance

The Environmental Compliance Plan (ECP) for individual Task Plans will consist of the development and implementation of a Site specific environmental execution plan based on each scope.

Regulatory

Specific guidance for execution of the Project is provided in AI-9010, *Conduct of CR3 Investment Recovery*. Regular review and audit is performed under the purview of the Duke Rates and Regulatory Strategy department.

18.0 DOCUMENT CONTROL & PROJECT ASSURANCE

Document Control

The CR3 Decommissioning Document Retention SharePoint site will be used for capturing and storing Project records. In addition to the documents specified in the Project Assurance Plan, a "working"

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section is established to store in-progress project documents (e.g.; action items, contracts, AAT forms, IRP Master Database, Photos, POs, sales data, etc.)

Project Assurance

The Project Manager and other entities involved in planning and executing the Project are responsible for ensuring that the Project is implemented in a reasonable and prudent manner. The role of Project Assurance is to ensure that Project stakeholders understand the regulatory cost recovery process and the importance of managing the Project in a manner that will allow the company to recover Project costs as permitted by relevant laws, rules and regulations. A designated Project Assurance Advisor will be appointed to support and advise the Project management team based on Project type/requirements. The advisor will collaborate with the Project Manager to identify Project decisions and decision milestones that may be subject to regulatory scrutiny and will be available to review and/or advise upon the documentation necessary to demonstrate that those decisions were reasonable and prudent.

Project Assurance issues will be sent via e-mail with copy to the Project email address. Refer to PMC-PRC-NA-AD-0013 Project Assurance Manual for details and process information.

19.0 PROJECT REPORTING AND PERFORMANCE MEASUREMENT TOOL

Project Performance Measurement Tool

The Project Performance Measurement Tool consist of two (2) categories/Key Performance Indicators (KPI) – proceeds / cost, and asset work down curve. Updates of both KPIs will be evaluated and communicated at an agreed frequency (Weekly and Monthly) as per the weekly/monthly reporting distribution sheet. The Project will use the PMC management approved Monthly Report template to communicate performance updates.

Project Reporting – PMC internal

Project reporting includes both weekly and monthly generated reports.

On a weekly basis, the Project Manager will use an exception based weekly report to status the Project update. The weekly report is a SharePoint web report and is to be completed by the Project Director by the close of business every Thursday.

On a monthly basis, the Project core team will jointly update the Project Monthly report for KPIs performance updates in detail. The Project Manager will host a monthly Project progress meeting for PMC management. The meeting will cover all of the items that are to be noted in the monthly report.

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The monthly Project team meeting will be held to facilitate a forum for key stakeholders to gain an understanding of the Project status and engage in key issues and risks.

The following are a list of reports regularly generated by the Project team:

- Monthly Project Reports
 - Cost & Financials Analytics
 - Asset work down curves
 - Schedule milestone performance
- Weekly Project Reports
 - Exceptions

20.0 WARRANTY MANAGEMENT

CR3 assets dispositioned to non-Duke entities by this Project are sold as-is, where-is with no warranty by Duke. Supply Chain Contracts personnel will work with asset suppliers as needed to facilitate transfer of manufacturer/supplier warranties when assets are transferred to a Duke affiliate.

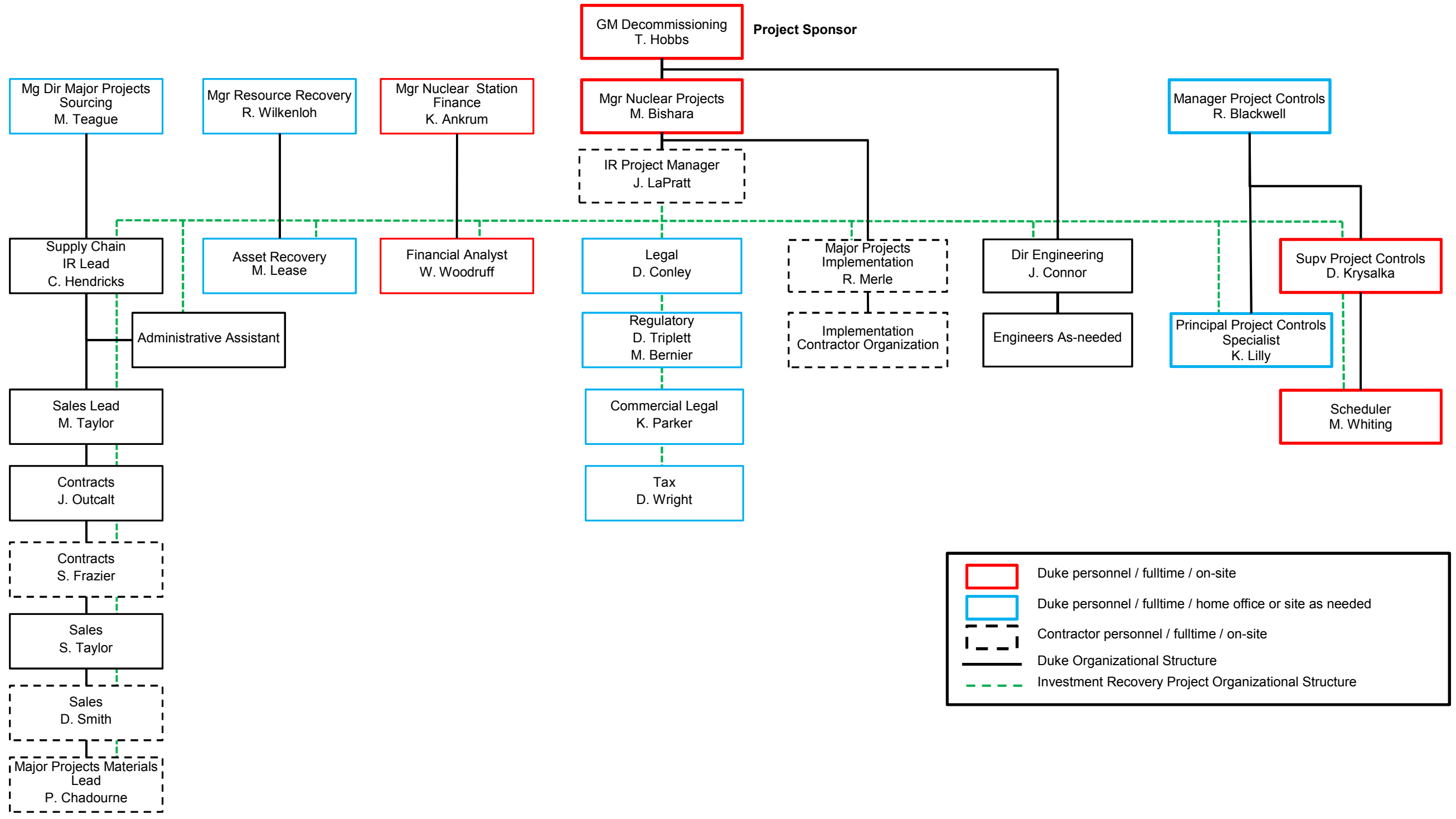
21.0 PROJECT CLOSE-OUT MANAGEMENT

Project Close-Out Management will be in accordance with PJM-00019-ENTSTD and PMC-PRC-00-AD-0004 PMC Project Stage Gate Review and Approval procedure. These procedures provides guidance on the Project close-out process, accounts closing, contract closing, final job report, documents transfer, and reporting of standard post Project benefit assessments.

A final Project Close-Out meeting will be held during which the Project Manager and PMC General Manager will review open items and remaining scope of the work. The Project Manager will also review any contractual agreements. This may include any open items for audits, incident investigations, or corrective actions.

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APPENDIX A – ORGANIZATION CHART



	Duke personnel / fulltime / on-site
	Duke personnel / fulltime / home office or site as needed
	Contractor personnel / fulltime / on-site
—	Duke Organizational Structure
- - -	Investment Recovery Project Organizational Structure

APPENDIX B – ORGANIZATION RACI¹ CHART

Activity	Project Team Member											
	Project Manager	Supply Chain Lead	SC Contracts Lead	Proj Cont Specialist/ Supervisor	Proj Cont Scheduler	Proj Cont Estimator	Financial Analyst/ Manager	Project Engineer	Impl Manager	Reg Lead	Legal Lead	Lead Planner
DK-1 Project Administration												
DK1-1 Develop Project Plan Documents	A/R	C	C	C	I	I	C	C	C	C	C	I
DK1-2 Estimate Project Costs	A	C	C	C	C	R	C	C	C	C	C	I
DK1-3 Develop Project Schedule	A	C	I	C	R	I	I	C	C	I	I	C
DK1-4 Perform Monitor and Control	A/R	R	C	R	R	I	R	C	C	C	C	I
DK1-5 Perform Project Assessments	A	C	C	C	C	C	C	C	C	R	R	C
DK1-6 Project Funding and Gate Reviews	A/R	C	C	C	C	C	C	C	C	C	C	C
DK-2 Engineer												
DK2-1 Engineering Change	A	I	I	I	I	I	I	R	C	I	I	I
DK2-2 Sales Engineering Support	A	C	C	I	I	I	I	R	I	I	I	I
DK2-3 Implementation Engineering Support	A	I	I	I	C	I	I	R	C	I	I	C
DK-3 Supply Chain												
DK3-1 Sales Activities	A	R	C	I	I	I	C	C	C	I	I	I
DK3-2 Contract Management	A	C	R	I	I	C	C	C	C	I	I	I
DK3-3 Procurement Engineering Data Package Dev	A	R	C	I	I	I	I	C	I	I	I	I
DK3-4 Material Handling	A	R	I	I	I	I	I	I	I	I	I	I
DK3-5 Database Management	A	R	C	C	I	I	C	C	I	I	I	I
DK-4 Work Planning												
DK4-1 Develop Work Orders	A	I	C	I	C	I	I	C	C	I	I	R
DK-5 Implementation												
DK5-1 Asset Preservation	A	C	C	I	C	I	I	C	R	I	I	C
DK5-2 Installed Asset Removal	A	C	C	I	C	I	I	C	R	I	I	C
DK5-3 Large Component Removal/Shipping	A	C	C	I	C	I	I	C	R	I	I	C
DK-6 Project Closeout												
DK6-1 Close Work Orders	A	C	C	I	C	I	I	C	C	I	I	R
DK6-2 Close Engineering Documents	A	C	C	I	I	I	I	R	C	I	I	C
DK6-3 Close Contracts	A	C	R	I	I	I	C	C	C	I	I	I
DK6-4 Close Project Documents	A/R	C	C	C	C	C	C	C	C	C	C	C
DK6-5 Perform Project Lessons Learned	A/R	C	C	C	C	C	C	C	C	C	C	C
DK-7 Legal & Regulatory Oversight												
DK7-1 Legal Reviews	A	C	C	C	C	C	C	C	C	C	R	C
DK7-2 Regulatory Reviews	A	C	C	C	C	C	C	C	C	R	C	C
DK7-3 Tax & Financial Reviews	A	C	C	C	C	C	R	C	C	C	C	C

¹**R [responsible]** Those who do work to achieve the task. **A [accountable]** The resource ultimately answerable for the correct and thorough completion of the task. **C [consult]** The resources whose opinions are sought on various activities. This is a two-way communication. **I [inform]** The resources that need to be kept up-to-date on progress. This is a one-way communication.

February 25, 2014

APPENDIX C – CONTACT LIST

Project Management				
Last Name	First Name	Position	Extension	Cell Phone
LaPratt	Jeff	PM	████	██████████
Bishara	Magdy	MGR Nuclear Projects	████	██████████
Project Controls & Support				
Last Name	First Name	Position	Extension	Cell Phone
Krysalka	Dan	Supv Project Controls	████	██████████
Lilly	Kathy	Prnc Proj Controls Specialist	██	██████████
Woodruff	Wendy	Sr Financial Analyst	████	██
Whiting	Mark	Sr Proj Controls Specialist	████	██████████
Supply Chain				
Last Name	First Name	Position	Extension	Cell Phone
Teague	Mark	Mgng Dir Major Projs Sourcing	██████████	██████████
Hendricks	Chris	Mgr Nuc Site Supply Chain	████	██████████
Taylor	Mike	Mgr Nuclear Procurement	████	██████████
Smith	Dave	Contractor – IRP Specialist	████	██
Taylor	Steve	Sr Tech Specialist	████	██████████
Outcalt	Jay	Contacts	████	██████████
Frazier	Shannon	Contracts	████	██
Chadourne	Paul	Materials Lead	████	██████████
Lease	Michelle	Asset Recovery Coordinator	██████████	██████████
Engineering				
Last Name	First Name	Position	Extension	Cell Phone
Connor	Jim	Dir Nuclear Engineering	████	██████████
Implementation				
Last Name	First Name	Position	Extension	Cell Phone
Merle	Russ	Implementation Manager	████	██

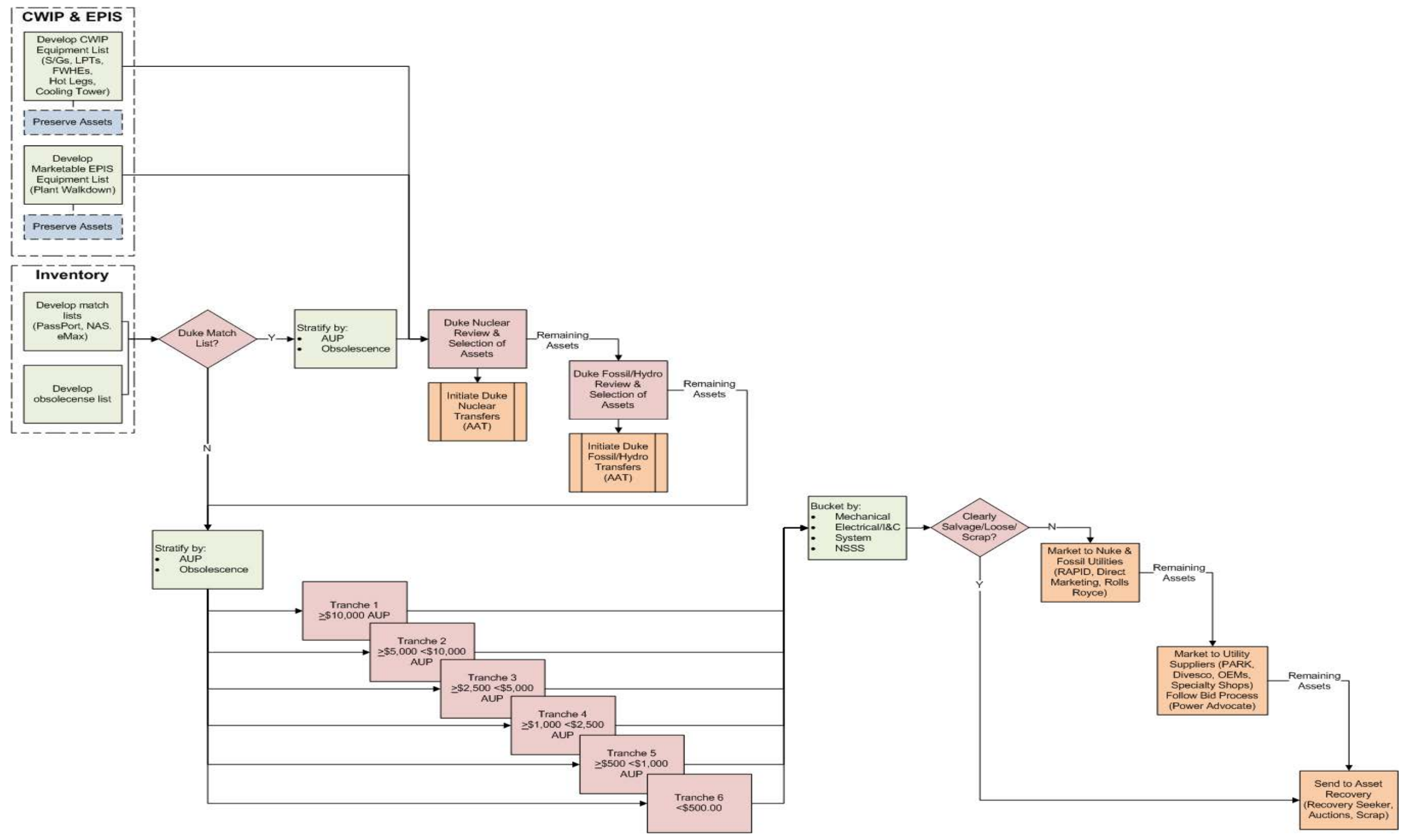
February 25, 2014

Legal / Regulatory / Tax				
Last Name	First Name	Position	Extension	Cell Phone
Conley	Dave	Associate Gen Counsel	██████	█
Triplett	Dianne	Associate Gen Counsel	██████████	██████████
Bernier	Matt	Sr Counsel	██████████	██████████
Parker	Kristy	Associate Gen Counsel	██████████	██████████
Wright	Dave	Dir Non-income & Property Tax	██████████	█
Olivier	Marcia	Dir Rates & Reg Strategy	██████████	██████████

DRAFT

February 25, 2014

APPENDIX D – DISPOSITION STRATEGY FLOWCHART



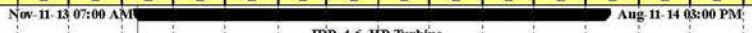
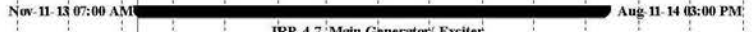
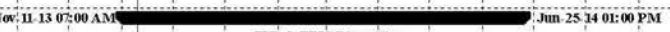

APPENDIX E – LEVEL 1 SCHEDULE

CR3 INVESTMENT RECOVERY SCHEDULE					IRP LEVEL 1 SCHEDULE																												
Activity ID	Activity Name	Start	Finish	Hrs	Activity Type	2014												2015							2016								
						A	S	O	N	D	J	F	M	April	May	June	July	A	S	O	N	D	J	F	M	April	May	June	July	A	S	O	N
IRP-1 Inventory Shipping		Mar-25-14 07:00 AM	Feb-23-15 05:00 PM	1830h		IRP-1 Inventory Shipping																											
IRP-1-2 Internal Nuclear		Dec-02-13 07:00 AM	Jan-13-14 03:00 PM	218h		IRP-1-2 Internal Nuclear																											
IRP-1-3 Internal Fossil		Jan-14-14 07:00 AM	Mar-10-14 03:00 PM	318h		IRP-1-3 Internal Fossil																											
IRP-1-Internal Sales		Nov-11-13 07:00 AM	Nov-21-13 05:00 PM	80h		IRP-1 Internal Sales																											
IRP-2-1 External Greater >10,000		Mar-10-14 03:00 PM	May-01-14 03:00 PM	300h		IRP-2-1 External Greater >10,000																											
IRP-2-2 External >5,000 And <10,0		May-01-14 03:00 PM	Jun-05-14 05:00 PM	192h		IRP-2-2 External >5,000 And <10,000																											
IRP-2-3 External >2,500 And <5,00		Jun-05-14 07:00 AM	Jul-22-14 03:00 PM	258h		IRP-2-3 External >2,500 And <5,000																											
IRP-2-4 External >1,000 And <2,50		Jul-21-14 03:00 PM	Aug-27-14 03:00 PM	220h		IRP-2-4 External >1,000 And <2,500																											
IRP-2-5 External >500 And <1,000		Aug-26-14 03:00 PM	Sep-24-14 03:00 PM	160h		IRP-2-5 External >500 And <1,000																											
IRP-2-5 External <500		Nov-11-13 07:00 AM	Dec-02-14 05:00 PM	2100h		IRP-2-5 External <500																											
IRP-3 Final Cleanup / Scrap		Dec-03-14 07:00 AM	Feb-23-15 05:00 PM	440h		IRP-3 Final Cleanup / Scrap																											
IRP-4-1 LP Rotor		Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		IRP-4-1 LP Rotor																											
IRP-4-2 POD Cooling Towers		Nov-11-13 07:00 AM	Aug-25-14 03:00 PM	1578h		IRP-4-2 POD Cooling Towers																											
IRP-4-3 MSR's		Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		IRP-4-3 MSR's																											
IRP-4-4 FWHE's		Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		IRP-4-4 FWHE's																											
IRP-4-5 Condensate Pumps & Mo		Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		IRP-4-5 Condensate Pumps & Motors																											

Summary






Report Date Jan-21-14

Data Date Nov-11-13

CR3 INVESTMENT RECOVERY SCHEDULE						IRP LEVEL 1 SCHEDULE																											
Activity ID	Activity Name	Start	Finish	Hrs	Activity Type	2014														2015							2016						
						A	S	O	N	D	J	F	M	April	May	June	July	A	S	O	N	D	J	F	M	April	May	June	July	A	S	O	N
IRP-4-6	HP Turbine	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		 IRP-4-6 HP Turbine																											
IRP-4-7	Main Generator/ Exciter	Nov-11-13 07:00 AM	Aug-11-14 03:00 PM	1498h		 IRP-4-7 Main Generator/ Exciter																											
IRP-5	EPIS Disposition	Nov-01-13 07:00 AM A	Jun-25-14 01:00 PM	1246h		 IRP-5 EPIS Disposition																											
IRP-6	Project Closeout	Feb-24-15 07:00 AM	Apr-27-15 05:00 PM	360h		 IRP-6 Project Closeout																											
Summary																				Report Date Jan-21-14							Data Date Nov-11-13						

February 25, 2014

APPENDIX F – PMC DOCUMENT APPROVAL FORM

 <p>Project Management & Construction Document Approval Form (DAF)</p>	
Section A: Document identification and type of action	
Document Number: N/A	Revision Number: 0
Document Title: CR3 Investment Recovery Project Project Execution Plan	
Type of Action: <input checked="" type="checkbox"/> New <input type="checkbox"/> Suspension <input type="checkbox"/> Revision <input type="checkbox"/> Ownership Change <input type="checkbox"/> Cancellation <input type="checkbox"/> Periodic review completed	Effective Date: 2/25/2014
Applies to: Project Management & Construction	Group: CR3 Decommissioning Transition Org
Applicable to Forms Only Does form have a parent procedure? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Procedure #: _____ <input type="checkbox"/> Communication plan established N/A <input type="checkbox"/> Impact Reviews Completed N/A	
Description of document action or summary of changes:	
The document presents the Project Execution Plan for the CR3 Investment Recovery Project (IRP).	
Preparer(s): Jeff LaPratt, IRP PM	
Section B: Approval	
Jeff LaPratt/IRP PM	
Approval recommended (print name)	Signature
	Date: 2/24/14
Magdy Bishara/MGR Major Projects	
Approval recommended (print name)	Signature
	Date: 2/24/14
 Terry Hobbs/GM Decommissioning	
Final Approval (print name)	Signature
	Date: 2/24/14
N/A	
Approved (for approval of interface documents only)	Signature
	Date
RETURN SIGNED FORM TO PMC GOVERNANCE	

Sales Guidance and Documentation Package Development

INVESTMENT RECOVERY GUIDANCE DOCUMENT

IRGD-001

Revision 0

**Sales Track Guidance and
Documentation Package Development**

An Uncontrolled Reference and Assistance Document

Note: If any conflicts exist between the current Directives and Procedures and the information contained within this guidance document all directives and procedures shall govern the work described herein.

Sales Guidance and Documentation Package Development

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Sales Guidance and Documentation Package Development

1.0 PURPOSE

This Guidance Document provides instruction to conduct sales and develop complete documentation packages for the Crystal River Unit 3 (CR3) Investment Recovery Project (IRP).

2.0 APPLICABILITY

This Guidance Document applies to the IRP. More specifically, this Guidance Document applies to the sale/transfer of material and the development and retention of sales and other supporting documentation.

3.0 ROLES AND RESPONSIBILITIES

Manager Nuclear Procurement or designee is the single point of contact for reviewing all documentation packages and ensuring all documents are uploaded to the Share Point Site and sales tracking database.

Investment Recovery Project Manager (IRPM) provides oversight of the sales process and documentation retention activities. Additionally, the Investment Recovery PM is responsible for facilitating the removal of equipment installed in the plant.

Investment Recovery Sales Team (IRST) is the point of contact for obtaining sales leads, negotiating the sale, closing the sale, and documenting all aspects of the sale transaction. The CR3 IRST is also responsible for loading all documentation on the Investment Recovery Share Point Site and sales tracking database.

Asset Recovery Sales Team (ARST) processes all salvage transactions, and is responsible for invoicing vendors after Inter-Utility (RAPID), external third party, and salvage sales are completed.

CR3 Financial Analyst determines the Net Book Value (NBV) for Duke Affiliate Transfers and Duke Internal Sales, when available. Completes first half of the Capital-to-Capital or Capital-to-Inventory template and tracks Journal Entries processed by Asset Accounting and performs Journal Entries for transfers within the state of Florida.

4.0 IRP SALES STRATEGY

Organize – Develop a list of and categorize all items available for immediate sale with an explanation of how the sale criteria and categorization was achieved.

Preserve – Determine what preventive maintenance (PM) and preservation activities are required to allow the highest rate of return for all CR3 assets. Develop and implement a plan for the preventive maintenance (PM) and preservation activities.

Analyze – Determine the most effective method for each category and create a schedule for the sale of these items.

Disposition – Distribute the “match” lists within the Duke organization to obtain the highest rate of return. Follow the AI9010 Administrative Procedure for the remaining equipment and material.

Sales Guidance and Documentation Package Development

5.0 SALES PROCESS AND REQUIRED DOCUMENTATION

5.1 Duke Affiliate Transfer

1. IF non-inventory Capital material, THEN the financial analyst will determine the Net Book Value (NBV) and completes either:
 - a. Capital-to-Capital template and sends to requesting location; or
 - b. Capital-to-Inventory template and sends to requesting location.
2. IF Inventory material, THEN Calculated Unit Price (CUP) from the CAT ID shall be used for the asset value.
3. Requesting Location shall initiate the Affiliate Asset Transfer (AAT) eForm and route to CR3 Investment Recovery (SCD211, Rev.1).
 - a. Completed Capital-to-Capital or Capital-to-Inventory template shall be attached, if required.
4. The IRST shall complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
5. IF equipment is installed in the plant, THEN:
 - a. IRST will initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
 - b. IRPM facilitates the removal of the equipment with the IRP Implementation group.
6. Manager Nuclear Procurement, or designee, shall review the AAT eForm and if such AAT eForm is satisfactory (see Attachment A for requirements), approval shall be granted.
7. FL legal shall review the AAT eForm and if such eForm is satisfactory, approval shall be granted.
8. IF the equipment is installed in the plant, is Safety Related and is required to maintain a Safety Related classification, return to stock under the appropriate CAT ID, if one does not exist, create a new CAT ID per the established Nuclear Procedures:
 - a. Initiate a PICK Ticket, for all listed/sold material, if the plant is Non-Nuclear the requesting site shall create an Material Request (MR).
 - b. CR3 Adjust Minimum/Maximum to zero (0) in PassPort to prevent re-order.
9. IF inventory material, THEN:
 - a. Initiate a PICK Ticket, if required, for all listed/sold material.
 - b. CR3 IRST Adjust Minimum/Maximum to zero (0) in PassPort to prevent re-order.
10. Obtain shipping arrangements from requesting location.
11. Forward a copy of the AAT eForm and shipping information to the warehouse.
12. Ship material to the requesting location.

Sales Guidance and Documentation Package Development

13. For Capital assets the AAT eForm is sent to Asset Accounting to perform a Journal Entry which transfers the funds.
 - a. Journal entry should include the asset value (shipping, stores, etc.) as well as the removal costs, if required.
 - b. True-up of actual costs is obtained through the journal entry and attached to the AI9010.
14. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. AAT eForm, including all Attachments
 - b. Asset Disposition Review (AI-9010, Attachment 1)
 - c. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
 - d. PICK Ticket, if required
 - e. Issue Ticket, if required
 - f. Shipping documentation
 - g. E-mails
 - h. Journal entry documentation, if required

5.2 Duke Florida Internal Transfer

1. IF Non-inventory, THEN determine value of asset:
 - a. Contact Financial Analyst to determine the NBV of the equipment.
 - b. If NBV is not available, the IRST should determine Fair Market Value (FMV).
2. IF Safety Related material is requested, THEN
 - a. IRST shall verify the material is not on the Match List.
 - b. CAT ID shall be downgraded to Quality Level 4.
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
 - a. IF non-inventory asset, THEN AI-9010, Attachment 1 is required.
 - b. IF inventory asset, THEN AI9010, Attachment 1 is NOT required.
4. IF equipment is installed in the plant, THEN:
 - a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
 - b. IRPM facilitates the removal of the equipment with the IRP Implementation group.
5. IF the item has a CAT ID in the PassPort System and the:
 - a. Item is Safety Related (QL 1, 2, 3)
 - i. A Material Request shall be completed by the requesting site.

Sales Guidance and Documentation Package Development

- ii. CR3 shall Adjust Minimum/Maximum to "0" to prevent a re-order.
 - b. Item is non-safety related (QL 4)
 - i. A Pick Form should be completed by the sending site.
 - ii. CR3 shall Adjust Minimum/Maximum to "0" to prevent a re-order.
6. Shipping arrangements are coordinated by requesting plant and shipping information shall be sent to the warehouse personnel.
7. Material is shipped to the requesting facility.
8. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. Asset Disposition Review (AI-9010, Attachment 1)
 - b. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
 - c. Pick Ticket/Transfer/Material Request, if required
 - d. Issue Ticket, if required
 - e. Shipping documentation
 - f. E-mails
 - g. True-up of actual costs documentation, if required
 - h. Journal entry documentation, if required
9. A monthly report of all Duke Florida Internal Inventory sales shall be uploaded to the SharePoint site.
10. IF in-state transfer was purchased as or currently is EPIS, Inventory or O&M (101 or 106 accounts), THEN the material can be transferred and the receiving organization will not realize the costs at the time of the transfer.
11. IF in-state transfer was purchased as or currently is CWIP (107 account), THEN the cost is recognized by the receiving organization at the time of the transfer.

5.3 Inter-Utility (RAPID) Sale

1. Price is negotiated at CUP or better, Terms and Conditions are in accordance with the Inter-Utility Sales agreement. Note: Some sale prices may be lower than the CUP due to material condition, shelf life, etc. Approval of the modified sale price shall be obtained prior to sale closure by either the Manager Of Nuclear Procurement or Site Supply Chain Manager.
2. CR3 receives the Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
 - a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).

Sales Guidance and Documentation Package Development

- b. IRPM facilitates the removal of the equipment with the IRP Implementation group.
5. IF inventory, THEN CR3 IRP completes a Material Request and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting plant and CR3 warehouse.
 - a. MR and PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting facility.
 - a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Enter information into Investment Recovery RAPID database spreadsheet.
10. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. Asset Disposition Review (AI-9010, Attachment 1)
 - b. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
 - c. Purchase Order
 - d. Material Request, if required
 - e. Issue Ticket, if required
 - f. Shipping documentation
 - g. E-mails
 - h. Copy of invoice
 - i. Tax exempt form

5.4 Duke External Third Party Sale

1. Price is negotiated in accordance with the Terms and Conditions for CR3 Investment Recovery sales. Note: Buyer pays for all shipping and handling (including removal from plant if installed) costs.
 - a. See Material Bidding Process 6.0
2. CR3 Receives the Contract/Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
 - a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
 - b. IRPM facilitates the removal of the equipment with the IRP Implementation group.

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5. IF Inventory, THEN CR3 IRP completes a Material Request (MR) and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting company in accordance with Contract/PO.
 - a. MR and Contract/PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting company.
 - a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. PowerAdvocate documents, if required
 - b. Buyer Contract/Purchase Order
 - c. Asset Disposition Review (AI-9010, Attachment 1)
 - d. Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2), if required.
 - e. Material Request, if required
 - f. Issue Ticket, if required
 - g. Shipping documentation
 - h. E-mails
 - i. Copy of invoice
 - j. Tax exempt form
 - k. Signed IR Terms and Conditions

5.6 Duke Salvage Sale

1. Price is negotiated in accordance with the Terms and Conditions for CR3 Investment Recovery sales.
 - a. See Material Bidding Process 6.0
2. CR3 Receives the Contract/Purchase Order (PO).
3. Complete and obtain approvals for Asset Disposition Review form (AI-9010, Attachment 1).
4. IF equipment is installed in the plant, THEN:
 - a. Initiate and obtain approvals for Installed Plant Equipment Removal Agreement (AI-9010, Attachment 2).
 - b. IRPM facilitates the removal of the equipment with the IRP Implementation group.

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5. CR3 IRP completes a Material Request (MR) and adjusts Minimum/Maximum to "0" to prevent re-order.
6. Shipping arrangements coordinated by requesting company in accordance with Contract/PO.
 - a. MR and Contract/PO are forwarded to CR3 warehouse for issuing and shipping instructions.
7. Material shipped to requesting company.
 - a. Forward shipment tracking information to buyers upon request.
8. Copy of shipping information/issue ticket sent to CR3 IRP.
9. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. PowerAdvocate documents, if required
 - b. Buyer Contract/Purchase Order
 - c. Asset Disposition Review (AI-9010, Attachment 1)
 - d. Installed Plant Equipment Removal Agreement (AI-9010 Attachment 2), if required.
 - e. Material Request, if required
 - f. Issue Ticket, if required
 - g. Shipping documentation
 - h. Pertinent e-mails
 - i. Copy of invoice
 - j. Tax exempt form
 - k. Signed IR Terms and Conditions

6.0 MATERIAL BIDDING PROCESS

1. IRSTs shall decide on a method of disposition based on the following criteria:
 - a. Asset value < \$15,000.00 - Items may be marketed and sold at the IRST's discretion
 - b. \$15,000.00 < Asset value < \$100,000.00 – Items must be sold using one of the following methods:
 - i. Asset Recovery's Online Surplus Marketplace
 1. Online marketing and sales tool may utilize one or more of the following sales methods:
 - a. Auction
 - b. Fixed Price Sale
 - c. Classified Ad

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2. Document sale on the Sales Tracking Database and place electronic copies of the following sales documents in the SharePoint site IRP Document Retention File:
 - a. List of companies/individuals automatic emails were disseminated to.
 - b. List of companies/individuals who received phone calls.
 - c. List of Bidders.
 - d. All communications:
 - i. Emails
 - ii. Posted comments
 1. Questions
 2. Responses
 - iii. calls logged with notes regarding conversation.
 - e. Amount of each bid.
 - f. Number of visitors (names if possible).
 - g. All documentation:
 - i. T&Cs
 - ii. AI-9010 Form
 - iii. Screen shots
 - h. Time Auction started/ended.
 - ii. Formal Bid
 1. E-mail bid which includes a bid package containing at a minimum:
 - a. Bid Cover Letter or Information letter
 - b. Instructions to bidder
 - c. List of Materials for Sale
 - d. Terms and Conditions for CR3 Investment Recovery sales
 - e. Bidder Response form
 - iii. Power Advocate Bid Event
 - c. Asset Value > \$100,000.00
 - i. Items must be sold using a Power Advocate Bid Event
2. Exception from standard Material Bidding Process
 - a. IF an instance occurs where IR is required to make an exception for an asset sale, THEN they shall be documented by the IRST and approved by the Manager of Nuclear Procurement or designee.
 - b. Examples of when an exception may occur include, but are not limited to the following:
 - i. Contractual restraints only allow sale to one party (original manufacturer)
 - ii. Expedited time frame for sale required and the sale price is above CUP

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7.0 VENDOR SITE ACCESS

Prior to admittance to the CR3 site all vendor personnel shall have an approved Site Access Form. Prior to picking up material or equipment the vendor shall sign a Duke Energy agreement which includes acceptance of:

- Insurance requirements
- Safety and Security procedures
- Waiver of liability

8.0 CR3 ACCOUNTING STRUCTURE

8.1 CR3 Assets

All CR3 Assets are in one of the following categories:

Account	Description	Account	Description
101	Electric Plant In Service (EPIS)	154	Inventory
107	Construction Work In Progress (CWIP)	163	Stores
106	Capital Cost Not Classified (CCNP)	183	Study

The financial analyst will determine which of the following accounts a Capital Sale will be credited to:

Credit Account	Description
20100423 - SLVGE	Capital Co-Owned
20100426 - SLVGE	Capital Non-Co-Owned
EPU - DISP	EPU
20069122 - SLVGE	EPU POD

Stores Loading rate is not added to Capital items when sold internally to a Duke Energy Affiliate or to Duke Energy Florida.

8.2 CR3 Inventory

All inventory sales are credited as follows:

Credit Account	Description
20016324	Inventory

Stores Loading rate is included on all inventory sales and transfers.

8.3 CR3 Tax Collection

8.3.1 When is Sales Tax Collected

All Duke entities are required by the various states in which they operate to collect sales tax on the sales of used equipment unless the customer can prove their exemption. Transactions can be exempt because of who the customer is or because of how the customer will be using the item purchased. In either case, the customer would

Sales Guidance and Documentation Package Development

need to provide exemption documentation to in order to avoid having sales tax added to their bill.

Below are examples of common exemptions:

Entity Based Exemption

Government Entities
 Nonprofits
 Religious Organization
 Educational Institutions

Use Based Exemptions

Reselling
 Manufacturing
 Research and Development
 Utility use

Exemptions and exemption documentation will vary from state to state. Not every state will recognize all the exemptions above. When exemption documentation is received verify that it is properly completed and retain a copy for audit purposes. (Some exemption documentation may need to be signed or have an explanation.)

8.3.2 Accounting Structure for Collecting Sales Tax

Operating Unit	0193
Responsibility Center	0193
Location	002090209 (Citrus County, Florida)
GL Account	0241320
Resource Type	99810

Other counties and municipalities and special tax collection rates use different location codes.

All Florida counties and special tax situations will be coded into “The Retail Solution”.

8.3.3 Collecting Sales Tax

Sales for equipment and materials at Crystal River will be made using “The Retail Solution”, the software point of sale system used by Asset Recovery. Before any sale can be made to a customer, a record is created for the customer that includes basic information, such as name, address, phone number, etc. Also included is information pertinent to the collection of state and county sales tax:

- a. Tax Location – The tax location is where the sale occurs. In the case of Crystal River, all sales will be completed from Citrus County. Tax coding will be coded in “The Retail Solution” for all municipalities, and the system will calculate the appropriate rate of tax for the sale. If sales are made from other counties, we will provide the necessary coding in “The Retail Solution” to handle these collections as well.
- b. Tax Exempt – If the customer is exempt from payment of sales taxes, they must provide Duke Energy exemption documentation (see above). The exemption documentation will include a number, which is recorded in “The Retail Solution”, and the customer record will be coded “no tax”. When sales are processed, the system will not calculate sales tax based on this coding. noted above, Duke Energy must keep a record of the exemption certificate on file for audit purposes.

Sales tax is collected in the county in which the sale is made. For sales made from Crystal River, all applicable tax will be collected and submitted back to Citrus County.

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A journal entry is created using a report from “The Retail Solution”, in which the funds collected for specific sales will be credited to the appropriate accounting. Funds collected for Florida tax receipts will be credited to the appropriate tax accounting.

8.3.4 How Sales Tax is Handled Through an External Auction Company

The auction company is responsible for verification of the taxable status of the auction registrant. If the auction registrant provides proof of exemption to the auction company, not sales tax is collected or paid to the state or municipality from the sale. If the auction registrant is not tax-exempt, the auction company collects the sales tax from the location from which the sale was actually made.

9.0 SHAREPOINT

9.1 File Naming Convention

Every document shall have the Identification number, which corresponds to the Sales Tracking Database on the Investment Recovery SharePoint Site, and a brief description of the Document type. The following protocol shall be utilized to name files within the Investment Recovery Sales SharePoint Site:

Sale Type	Document Title	Document Title Example
Affiliate Asset Transfers	E-Form Folder Number_Document Title	Efr152v1-000982_iform Efr152v1-000982_AI9010
Florida – Internal Duke	FID Number_Document Title	FID00001_AI9010 FID00001_emails
Inter-Utility (RAPID)	RAPID ID Number_Document Title	R251752_PO R251752_AI9010
Non-Duke (3 rd party)	Contract/PO Number_Document Title	ND178596_PO ND178596_AI9010
Salvage	Salvage Number_Document Title	SLVG00001_AI9010 SLVG00001_emails
Disposition – Not Sold	Not Sold Number_Document Title	NS00001_emails
Donations	Donation Number_Document Title	DON00001_AI9010 DON00001_letter
Disposal	Disposal Number_Document Title	DIS00001_AI9010 DIS00001_emails

* Additional documentation for complete sale may be required as delineated in this guidance document.

9.2 File Structure

The file structure, Attachment B, is a quick reference tool designed to assist the project team in determining where documents are stored.

10.0 DEFINITIONS

Duke Affiliate Sale: Any sale which occurs internally between regulated, non-regulated and non-utility affiliate within the Duke Energy organization. These sales require an

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Affiliate Asset Transfer Form and consist of moving material outside of the state of Florida.

Duke Florida Internal Sale: Any sale or transfer which occurs internally between regulated, non-regulated and non-utility group within the Duke Energy Florida organization.

Duke Inter-Utility (RAPID) Sale: Any sale which occurs externally between regulated and non-regulated Utilities under the Terms and Conditions as defined on the Readily Accessible Parts Integrated Database (RAPID) web site. (Initiated by the Purchasing utility).

Duke External Third Party Sale: Any sale which occurs externally between regulated, non-regulated and non-utility companies. (Initiated by CR3 IRST).

Duke Salvage Sale: Any sale which occurs externally between a Duke Energy approved salvage company. Material will be sold by Duke Energy Asset Recovery.

Material Request: The process used when material is transferred within the Duke Energy Enterprise, may be used when plants have common CAT IDs but must be used if a no common CAT ID is available.

Pick Ticket or Transfer: The process used when material is transferred within the Duke Energy Enterprise and a common CAT ID is available. Should be initiated by shipping site.

PowerAdvocate: A sourcing website which allows the sales team to provide all pertinent information to the bidders, allows for communication between bidder and seller and accepts all bids and bidder exceptions. PowerAdvocate sourcing tool should be used when the estimated value, CUP or Combined CUP of material is greater than or equal to one hundred thousand dollars (\geq \$100,000).

SharePoint: a web based collaboration tool which allows the Project team and work group to perform more effectively by providing a central, virtual location for sharing of information quickly.

11.0 REFERENCES

AI-9010 – Conduct of CR3 Investment Recovery

Affiliate Asset Transfer Form – [Enterprise Forms](#)

SCD211, Rev. 1 Affiliate Asset Transfer Transactions

Investment Recovery Project, Project Assurance Plan

MCP-NGGC-0001 – NGG Contract Initiation, Development and Administration

MCP-NGGC-0401 – Material Acquisition (Procurement, Receiving, and Shipping)

12.0 ATTACHMENTS

Attachment A: Affiliate Asset Transfer Information Section eForm Template

Attachment B: IRP Sales Document Retention File Structure

Attachment C: Sales Track Quick Reference Guide

Attachment D: SharePoint Documentation Package Checklist

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Attachment A: Affiliate Asset Transfer Information Section eForm Template

Use this Template as a “copy/paste” tool while completing the Affiliate Asset Transfer eForm, “Asset Transfer Information Section.”

CAT ID #'s (NAS & Passport):

Item Description:

Qty transferring:

Capital Item?:

Safety Related?: (If Yes, provide Suitability or PEEVAL # & UTC #)

Contacts at Sending & Receiving locations:

Issue Accounting:

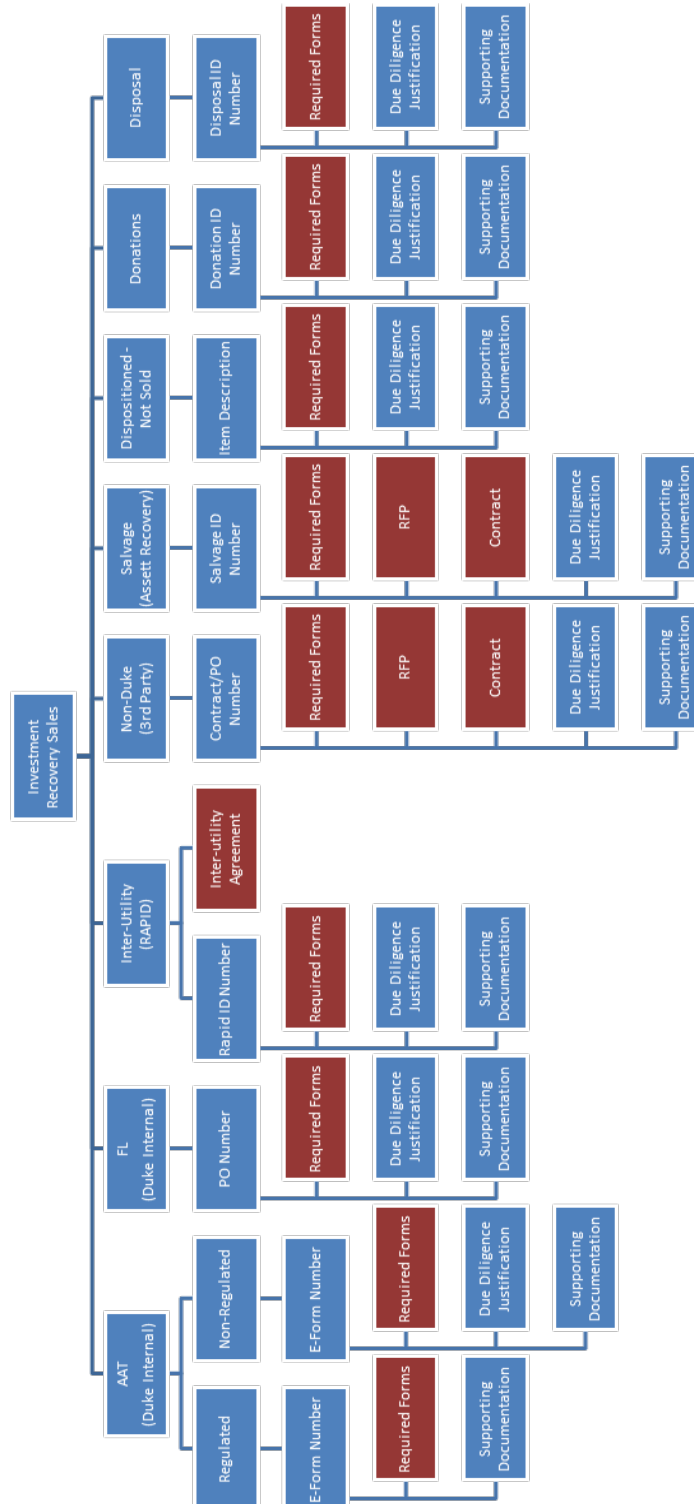
Receiving Accounting:

For transactions between DEF & DEP, note MR #.

Shipping Instructions:

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Attachment B: Investment Recovery Sales Document Retention File Structure



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Attachment D: SharePoint Documentation Package Checklist

Sale ID No.: _____

Sale Date: _____

		AI-9010, Attachment 1	AI-9010 Attachment 2*	Material Request*	Issue Ticket*	Shipping documentation*	Copy of invoice Proof of Payment	E-mails	AAT eForm	Buyer Contract Purchase Order	Tax exempt form	RFP Documents	RFP Review	RFP Justification
<input type="checkbox"/>	Affiliate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
<input type="checkbox"/>	DEF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
<input type="checkbox"/>	RAPID	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>			
<input type="checkbox"/>	External	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Salvage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Scrap	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Documents may not be required for all sales or transfers

Originator: _____

Final Date: _____

Draft

EPU

Non-EPU

EPU Asset(s)	Price	Transaction Type	Date
2014 Auction Proceeds			
Cooling Tower Equipment			
Reclass credit from CR3 Asset to EPU: 2500 hp motors, pipe vibration monitoring equipment, misc equip			
Turbine Asset Sale: exciter rotor and base w/ doghouse, exciter cooler & tooling, Generator H2 coolers, main lube oil coolers, HP rotor and tooling, HP guide blade carriers, and LPT L-0 rotating blades (sales price includes a negotiated payment to DEF to expedite the transfer; amount not stated in the contract)			
Miscellaneous Turbine Parts Sale: LP turbine assets including blade carriers, stationary blade ring assemblies, bull gear, guards, disks, rupture cages, lifting beams, and 3 sealands of misc. LP turbine parts			
Crane mats			
3 EPU Sealands			
Low Pressure Turbine Blade Vibration Monitoring System: Vibration Monitoring System / Integrated Diagnostic System complete with hardware, software, and monitoring probes			