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Docket No. 20190140-EI
Cross-Examination
Hearing Exhibit

Exhibit No.: 15C

Proffered by: Public Counsel

Short title: _____

Witness(s): _____

**CONFIDENTIAL****Scrub Team Review Question & Answer Log**

Supplemental Materials & Schedules (if needed)

Transaction / Project: DEF CR3 Decommissioning

	Question Date	Critical to Sign-Off (Y/N)	Questioner	Whitepaper Reference	Topic	Question	Answer Date	Respondent	Answer
1.	2/20/19	Y	Ned Williams	2.4	Schedule & Milestone	Can you add a table or chart that shows the major chunks of capital deployed per specific task/milestone along with the schedule of that task/milestone?	2/28/19	Jeff LaPratt	Period values added to chart in App 3.
2.	2/20/19	N	Ned Williams	2.4	Schedule & Milestone	The most significant item affecting schedule seems to be the spent fuel management and spent fuel picked up by the DOE. Why are those items so far out? Consider adding the explanation as a footnote or appendix.	2/28/19	Jeff LaPratt	DEF expectation, consistent with industry estimates, is for the DOE to pick up SNF in 2037. Note has been added.
3.	2/20/19	N	Ned Williams	2.1	Strategic Rationale	All the elements are there but consider revising this section to be clear – a more qualified 3 rd party is willing to do this cheaper and cap the costs while accepting the environmental liabilities. Plus the work can begin now instead of waiting 70 years.	2/28/19	Jeff LaPratt	Comment incorporated
4.	2/21/19	N	Matt Holstein	Appendix 1	Indemnification	How will the agreed upon baskets and caps be determined for DEF's indemnification of Excluded Environment Liabilities?	2/28/19	Jeff LaPratt	They will be determined through contract negotiations. What we are proposing, and ADP has preliminarily agreed to is: ADP assumes Environmental Liabilities in, on, under or from the NRC-Licensed Site, or resulting from any Hazardous Substances or Nuclear Materials (including the Assets) used transported, stored, kept, discharged, spilled or Released whether on or off the NRC-Licensed Site; without cap. DEF retains liability for non-radiological Environmental Liabilities outside the NRC Licensed Site if they originated from the NRC Licensed Site; without cap.
5.	2/21/19	Y	Matt Holstein	Appendix 1	Deal Structure	The term "New SPE" appears twice in the document but no definition is given. In the indemnification section, the term appears next to ADP NRC Licensee suggesting that they are separate legal entities. Could you please define "New SPE" in the document?	2/28/19	Jeff LaPratt	Corrected. There is only one new SPE: ADP Crystal River, LLC. (ADPCR)

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6.	2/25/19	Y	Luke Governale / CARG	2.9 / 2.6	Accounting Issues / Contract Structure	<p>The Accounting Issues section has draft language this is "not a lease" – please remove and just leave as "TBD." While the Services Agreement did not appear to be a lease, the Lease Agreement has not been reviewed yet and certainly could / will be.</p> <p>Also, this is a unique structure with a new SPE set up by ADP - all agreements expected would need to be reviewed to facilitate accounting analysis and Deloitte clearance. We've seen draft versions of the Decommissioning Services Agreement and Spent Fuel PSA – can you also please provide draft versions of all other agreements and summarize the key T&Cs in the whitepaper? These likely include:</p> <p>a. Mentioned on the call:</p> <ul style="list-style-type: none"> i. Lease Agreement ii. Pre-Closing Decommissioning Services Agreement <p>b. Other potential (from review of draft D&D Services / Fuel PSA):</p> <ul style="list-style-type: none"> i. Amended and Restated LLC Agreement ii. Parent Guaranties iii. Parent Support Agreement iv. Pledge Agreement v. Amended and Restated Nuclear Decommissioning Master Trust (NDF) Agreement vi. Spent Nuclear Fuel (SNF) Management Trust Agreement <p>The lease agreement and Amended and Restated LLC, if applicable, should be prioritized as they may have lease / VIE accounting impacts based on the context as described in the D&D Services / Fuel PSA. Please confirm which contracts, if any, are n/a above based on the latest view of the planned structure.</p>	3/1/19	Jeff LaPratt	<p>Advice received is that the details of the accounting treatment have no impact on tax considerations (which could reduce NDT value) or Duke corporate earnings.</p> <p>While important, the accounting treatment details will not materially alter the transaction structure presented to the TRC.</p> <p>Transaction structure is accurately reflected in Appendix 1 of the whitepaper. All the contract documents listed are expected for the transaction. The contracts will be uploaded when they are complete.</p>

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7.	2/25/19	Y	Luke Governale / CARG	2.6	Contract Structure	Whitepaper mentions ADP will be performing planning and non-physical work between contract signing and transaction closure and "if the transaction does not close, DEF is only obligated to reimburse ADP for costs associated with activities that would have otherwise been performed." Which are the types of costs expected to be reimbursed and how much is this likely to be? Is this governed by the Pre-Closing Decommissioning Services Agreement?	2/28/19	Jeff LaPratt	The pre-closing activities will be contained in the services agreement (not yet drafted). The proposed scope is primarily non-intrusive engineering planning, assessments, and radioactive and hazardous material characterizations. We expect this work to be in the \$15M range, with ~\$5M that Duke will pay for (subject to negotiation).
8.	2/25/19	Y	Luke Governale / CARG	3-3	Key Assumptions	Please elaborate on the hedging strategy to lock in a minimum value of the trust (p 12) – what approach is being considered / financial instruments?	2/28/19	Jeff LaPratt	Treasury is exploring all opportunities including zero cost collar.
9.	2/26/19	Y	Cindy Lee / Phil Longueira	2.7	Funding / Liquidity	What is the process for revenue requirement funding of the NDTF if at any point in time the fund falls below acceptable funding for the project?	2/28/19	Jeff LaPratt	<p>There are multiple barriers in place to prevent this from happening. These include (in no particular order):</p> <ul style="list-style-type: none"> Pay item schedule (NDT funds match remaining work) Performance bonds Parent guarantees Parent support agreements Insurance protections Liquidity mechanisms (\$50M): <ul style="list-style-type: none"> Cash Escrow Waste credits Completion Trust \$35M DEF management reserves Customer funding <p>On a routine basis, DEF will review NDT balance(s) and remaining work to determine if the contractor is in default, at which time DEF would step in and take over the work.</p>
10.	2/26/19	Y	Cindy Lee / Phil Longueira	Appendix 1	Deal Structure	Does the fixed cost of the contract \$540M neither go up or down, thus the only changes are to Owner's cost? What if ADP's contracted amount spend is less than \$540M?	2/28/19	Jeff LaPratt	ADP will perform the work for a fixed price of \$540M. The only changes would be for owner cost which are expected to be minimal and constant (little DEF involvement). If ADP works efficiently, then they are entitled to the reward.

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11.	2/26/19	Y	Cindy Lee / Phil Longueira	2.9	Accounting	Please update Accounting Section 2.9 with facts and assumptions for update of ARO including total increase and amount charged to income statement (preliminary based on current discount rates).	2/28/19	Jeff LaPratt	This is a work-in-progress. It will be updated when ARO details are finalized.
12.	2/26/19	Y	Cindy Lee / Phil Longueira	2.7	Regulatory asset recovery	Please explain how the DOE reimbursements will be accounted for between DEF and ADP for ISFSI construction, canisters and spent fuel.	2/28/19	Jeff LaPratt	All ISFSI construction, materials, structures, pool-to-pad services, and SFM costs through 12/31/18 are included in the pending DOE filing. The recovery of which is expected in 3 rd quarter 2022. There is no ADP involvement in this filing.
13.	2/26/19	Y	Cindy Lee / Phil Longueira	3.2	Model	Please provide analysis completed to show the NDTF will have excess funds (estimated at \$351M) after consideration of the \$540M paid to ADP and Owners' costs of ~\$153M (total \$693M). Please show how the "derisk" portfolio is considered in the analysis. I prefer the excel draft.	2/28/19	Jeff LaPratt	Excel draft provided. This file is being fine-tuned with regard to owner's costs, the results are de minimus and will not have material effect on the transaction.
14.	2/26/19	Y	Cindy Lee / Phil Longueira	2.7	Compliance requirements	How will Nuclear Decommissioning studies performed and filed with the FPSC throughout this period?	2/28/19	Jeff LaPratt	DEF will file with the FPSC for approval of the transaction. The "Decommissioning study" becomes the contract value – no longer a study, but actual. No further estimates will be performed, but routine reporting (TBD) to the FPSC will be performed updating the NDT value and status.
15.	2/26/19	N	Erin Culbert	4.2	Stakeholder Discussion	Well done on a fair and thorough section. You might consider adding in the stakeholder engagement plan section that you'll continue working with Corporate Communications and Community Relations on how to update key stakeholders throughout the process. This will help senior leaders feel confident you've already been and will continue to partner with those teams.	2/28/19	Jeff LaPratt	The stakeholder/communications plan does include ongoing internal and external communications and reporting. paper.

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16.	2/26/19	Y	Andrew James	2.6, Appendix 1	Parent guarantees	What is the parent guarantee from ADP? Beyond ADP, is there recourse to NorthStar and Orano?	2/28/19	Jeff LaPratt	<p>From the draft Decommissioning Services Agreement (the actual guarantee exhibits not yet drafted):</p> <p><u>"Parent Guarantors"</u> means each of NorthStar Group Services, Inc., a Delaware corporation, and Orano USA LLC, a Delaware limited liability company.</p> <p><u>"Parent Guaranty"</u> means a guaranty in the form attached hereto as Exhibit B issued by each Parent Guarantor in favor of Company, pursuant to which such Parent Guarantor, jointly and severally with the other Parent Guarantor, guarantees the payment and performance of the obligations of Contractor under the SNF PSA, this Agreement and the Ancillary Agreements.</p> <p><u>"Parent Support Agreement"</u> means a Support Agreement in the form attached hereto as Exhibit H between each Parent Guarantor and Contractor, pursuant to which such Parent Guarantor agrees to provide up to a specified amount of funding to Contractor totaling One Hundred Forty Million Dollars (\$140,000,000) to perform its obligations under this Agreement and complete the Decommissioning of the CR-3 Facility, including the ISFSI.</p>
17.	2/26/19	Y	Andrew James	na	Counterparty insolvency	<p>What happens if ADPCR or ADP becomes insolvent? Does DEF have a default obligation (not a right) to step in, due to continued ownership of land and structures?</p> <p>Separately, what would happen to ADP's ownership of spent fuel and canisters?</p>	2/28/19	Jeff LaPratt	DEF has the right, but not the obligation. In the case of default, ADPCR would continue to own the SNF. ADPCR will continue in existence until final license termination (i.e., SNF removed) regardless of who may be running it.
18.	2/26/19	Y	Andrew James	2.3, 3-3	DOE and spent fuel	Is there an impact to Duke or the transaction if spent fuel is not appropriated by DOE by 2038?	2/28/19	Jeff LaPratt	The transaction continues until final license termination (i.e., SNF removed).
19.	2/26/19	Y	Cindy Lee / Phil Longueira	1	\$5M Discount	Please confirm that the \$5M discount is to be applied to the CR3 decommissioning and not the dismantlement of CR1&2	2/28/19	Jeff LaPratt	It is applied to CR3 decommissioning.

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20.	2/26/19	Y	Cindy Lee / Phil Longueira	1	Spent Fuel / Canister sale	The spent fuel and dry shielded canisters were included in the costs that supported the regulatory asset to be recovered from customers. This regulatory asset is the security for a long-term debt. Has regulatory legal weighed in / confirmed that we can transfer these assets under the securitization? If any funds are received in this transfer do the proceeds go against the regulatory asset and used to pay down the debt?	2/28/19	Jeff LaPratt	There are no issues with transferring the assets. What was securitized was the right to collect from customers, not the assets at issue; basically, it's the right to include the charge on customer bills. None of the CR3 assets are security for any long-term debt. The Florida Statute is the security for the long-term debt that was issued by the special purpose entity.
21.	2/26/19	Y	Cindy Lee / Phil Longueira	1	DOE recovery	Is there any risk in the structure of this transaction regarding the probability of DOE recovery of incurred costs on spent fuel?	2/28/19	Jeff LaPratt	To the best of our knowledge no. The transaction has been disused with both internal and external counsel leading the DOE recovery efforts and no issues have been identified.
22.	2/27/19	N	Andrew James	2.5	Contractor selection	Has ADP formalized similar agreements with other nuclear plant owners?	2/28/19	Jeff LaPratt	ADP has just closed (i.e.; obtained all regulatory approval and license transfer) for the Vermont Yankee purchase.
23.	2/28/19	Y	Mark Powell	4.2	Stakeholder Engagement Plan	Has the project team considered the approach to Stakeholder engagement past the Phase IV milestone identified in the whitepaper? ADP performance issues may have a negative reputational impact on Duke. Does Duke need to be active in stakeholder engagement for the life of the project for this reason?	2/28/19	Jeff LaPratt	Life-of-project plan information added to Whitepaper.
24.	2/28/19	Y	Mark Powell	4.1	Reputational Risk	What is the team's perspective on reputational risk impacts due to ADP performance issues? No mitigation of ADP performance is identified in the risk register. Should we consider some Duke performance oversight during project execution to mitigate reputational risk?	2/28/19	Jeff LaPratt	DEF will be informed of performance but to effectively transfer risk, DEF cannot play an oversight role. The project team believes that the risk is minimal.
25.									

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