

CONFIDENTIAL

Docket No. 20190140-EI  
Cross-Examination  
Hearing Exhibit

Exhibit No.: 16C

Proffered by: Public Counsel

Short title: \_\_\_\_\_

Witness(s): \_\_\_\_\_

## TRC Utility Scrub Team Transaction Review

### Scrub Team Member Sign-Off

Transaction / Project	DEF CR3 Decommissioning
TRC Meeting Date:	March 19, 2019
Scrub Team Sign-Off Date	March 6, 2019
Scrub Team Meeting Date:	February 20, 2019

#### Transaction Sign-Off Summary

Functional Area		Sign-Off Member	Sign-Off	Sign-Off Date	Comments, Conditions or Management Considerations
1.	Accounting	C. Lee	Complete	3/13/19	Change to ARO is expected to be immaterial with the current underlying cash flows and assumptions. Please advise of any changes to those assumptions.
2.	Accounting Research	Kate Passarelli	Complete	3/12/2019	<ul style="list-style-type: none"> <li>Arrangement is expected to be accounted for as a service agreement. However, structure is unique with a SPE being created by ADP and certain agreements are not yet available for review. CARG should be involved in review of ADP CRE LLC agreement as drafted in order to ensure we do not trigger any unintended accounting impacts (i.e., consolidation of ADP SPE or lease accounting).</li> <li>The option collar on the current U.S. Equity positions where the DEF NDTF buys a put on U.S. Equity and simultaneously sells a call on U.S. Equity will be derivatives that are required to be MTM each period. DEF will defer the MTM impacts on these derivatives as regulatory assets or regulatory liabilities for all but 8% of the position which is not subject to recovery. This is the joint owner portion that is not recovered from customers. Any MTM will be recognized through the P&amp;L for this 8%. Treasury believes the MTM of the put option, call option and the fair value adjustments made on the investments each month should net to an immaterial amount on the P&amp;L.</li> <li>Final determination on whether the ARO remains on balance sheet is open. We will not be able to conclude definitively until the approval is received by the FSPC and NRC as these may include details about DEF's ongoing obligation. It is very unlikely we will be able to remove the ARO. If the ARO is removed, it will be replaced with a 3<sup>rd</sup> party obligation.</li> </ul>
3.	Credit Risk Management	Lewis Camp	Pending	3/6/19	While an overall framework for credit support has been negotiated, the final details of the primary credit support to be provided by ADP (the "provisional trust") remain to be determined. There open tax questions on this approach that need to be resolved, and Risk has some concerns about the complexity of the structure.
4.	Forecasting		.....		
5.	Foreign Exchange		.....		
6.	Insurance Risk Management	Arnold Garcia	Complete	02/22/2019	
7.	Legal		.....		
8.	Market Risk Management		.....		

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9.	Project Management Center of Excellence	Steve Holmes	Complete	02/25/2019	PMCoE standards do not apply. Site is leased to counterparty who becomes the NRC licensed owner and operator and will have responsibility to complete the decontamination and dismantlement project. No significant ongoing role for Duke Energy.
10.	Strategy	Andrew James	Complete	3/4/19	Proposal seems to be an effective method of risk transfer for decommissioning. Concern surrounding counterparty bankruptcy or insolvency, and associated impacts on DEF, are mostly mitigated according to project team.
11.	Rates & Regulatory Strategy	J. Portuondo	Complete	03/04/2019	
12.	Tax – Federal	Marcus Shore	Pending	3/7/2019	Tax supports the service contract approach for this transaction, so long as we are able to reach commercial terms that provide us with the ability to obtain a favorable ruling from the IRS that the transaction will not result in adverse tax consequences relating to the qualified nuclear decommissioning fund.
13.	Tax – Property		.....		
14.	Tax – State		.....		
15.	Treasury		.....		
16.	EHS	Jim Gilreath	Complete	3/6/2019	EHS has reviewed this whitepaper and recommends revision of 2.8 – Environmental Issues & Discussion to clarify environmental permitting/compliance risk and responsibility. Proposed replacement language for part of this section has been provided for incorporation into the document before it is finalized. In addition, minor general comments have been identified on a “revisions” mark-up of the whitepaper. The “revisions” mark-up whitepaper with general comments and the proposed replacement language for part of 2.8 – Environmental Issues & Discussion (page 10) have been emailed to TRC Scrub Team leadership for sharing with the project team.
17.	Enterprise Risk Management		.....		
18.	External Affairs	Erin Culbert	Complete	3/4/2019	Transferring the license to ADP brings a low inherit risk that ADP performance challenges may result in negative reputation impacts to DEF with no oversight ability to influence outcomes.
19.	Supply Chain		.....		

### Sign-Off Options:

Sign-Off Option	Definition
.....	Review in Progress
Pending	<u>Review Completed</u> with open or unresolved issues or data requests. Include a description or summary of open or unresolved items
Complete	<u>Review Completed</u> with no open or unresolved issues or data requests.
Not Signed-Off	<u>Review Not Completed</u> and unable to sign-off on subject matter. -or- <u>Review Completed</u> with material open or unresolved issues or data requests that prevent a reasonable review of the subject matter area

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Additional Comments or Open Review/Continuing Review Requirements: