



Duke Energy's Crystal River 3 Nuclear Plant Settlement Proposal

Item #140015

June 5, 2014

Background

- GRU is one of eight municipal electric utility minority owners of Crystal River 3, an 860 MW, nuclear power plant owned by Duke Energy Florida
 - City of Alachua
 - GRU
 - KUA (Kissimmee)
 - Orlando Utilities Commission
 - City of Bushnell
 - City of Leesburg
 - City of Ocala
 - City of New Smyrna Beach
- GRU's ownership share is 1.4079 percent, which is 21.59 percent of the minority owners' cumulative share
- Duke announced in February 2013 that CR3 would be permanently retired three years short of license expiration

Timeline

- Unit was originally shutdown for upgrade in 2009
- In February 2013, Duke announced it would shut down and decommission the plant
- In the fall of 2012, the minority owners, including GRU, agreed to have the Florida Municipal Power Agency (FMPA) represent their interests for damages done due to the premature retirement of CR3
 - All parties executed a non-disclosure agreement

Timeline (Cont.)

- On August 1, 2013 City Commission voted to:
 - (1) authorize the General Manager, or his designee, to pay FMPA up to a total of \$110,000 for FMPA's efforts on GRU's behalf, inclusive of all amounts already incurred and paid by GRU for the CR3 negotiations with Duke; and (2) authorize the General Manager, or his designee, to execute the Authorization for Increased FMPA Costs and Expenses, agreeing to pay up to \$110,000 to FMPA on GRU's behalf.
- In late 2013, GRU's Interim General Manager and Assistant General Manager, Energy Supply, met with Commissioners to provide an update of the confidential negotiations with Duke Energy

Settlement Includes Minority Owners and Purchasers

- All parties, eight Minority Owners and seven power purchasers, must agree to the settlement and Nuclear Regulatory Commission (NRC) must approve transfer of ownership
- All utilities will bring settlement to their Boards or Commissions in June
- There is no confidentiality clause in the settlement agreement

Minority Owners' Settlement

- Duke will indemnify the Minority Owners for all liability past, present and future (upon closing)
- Duke will waive the \$13.6 million liability for upgrade/repair costs prior to retirement
- Duke will take title to the Minority Owners equity exchange for transfer of the Decommissioning Trust Funds to Duke
 - GRU's obligation of decommissioning is \$11 million (April 30, 2014 bank statement)
 - GRU to receive a refund of \$92,757 for overpayment of decommissioning expenses (paid within 30 days of execution of settlement)

Minority Owners' Settlement (cont.)

- All Operating and Maintenance (O&M), Capital and Administrative and General (A&G) Expense payments ended October 1, 2013 (FY 2014)
 - Savings to GRU in FY 2014 of \$1,731,700 in O&M; \$3,500,000 in capital; and \$428,749 in A&G
 - GRU will also receive a refund of \$219,706 for O&M expenses (paid within 30 days of execution of settlement)
- Total cash settlement of \$55,000,000 payable at closing
 - GRU's share will be \$9,560,243 payable at closing

Purchasers' Settlement

- GRU purchased 50 MW of a blend of system average power and capacity for a five-year period (ended December 31, 2013)
- Cash of \$8,400,000 payable at closing
 - GRU's share would be \$618,534 payable at closing

Next Steps

- All Minority Owners and Purchasers approve and sign settlement agreement
- Duke signs agreement and submits to the Nuclear Regulatory Commission (NRC)
 - Estimate of 12-18 months for NRC approval
 - Closing upon approval (settlement is contingent upon NRC approval)

Staff Recommendation

1. Authorize the System to transfer all of the City's ownership interests in CR3 to Duke;
2. Find and determine that the System's transfer of all such ownership interests in CR3 to Duke will not impair the City's ability to comply during the current or any future fiscal year with the provisions of Section 710 of the City's Utilities System Bond Resolution (the "rate covenant");
3. As permitted by the City's Utilities System Bond Resolution, authorize the application of the proceeds of the transfer of the City's ownership interests in CR3 either for (i) the acquisition of other property necessary or desirable for the safe or efficient operation of the System or (ii) deposit in the System's Utilities Plant Improvement Fund;
4. Approve the draft settlement agreement and authorize the Interim General Manager, or her designee, to execute and deliver the attached settlement agreement documents to Duke with such changes thereto, as long as the settlement agreement documents are in substantially the same form, as the Interim General Manager, or such designee, shall approve as necessary or desirable and in the best interests of the City, such approval to be evidenced conclusively by the execution of such documents, and subject to the approval of the City Attorney as to form and legality; and
5. Authorize the Interim General Manager, or her designee, to execute such other documents as may be necessary or desirable to proceed with the transaction authorized above, subject to the approval of the City Attorney as to form and legality, and to take such other actions as may be necessary or advisable to proceed with such transaction in accordance with this City Commission authorization.