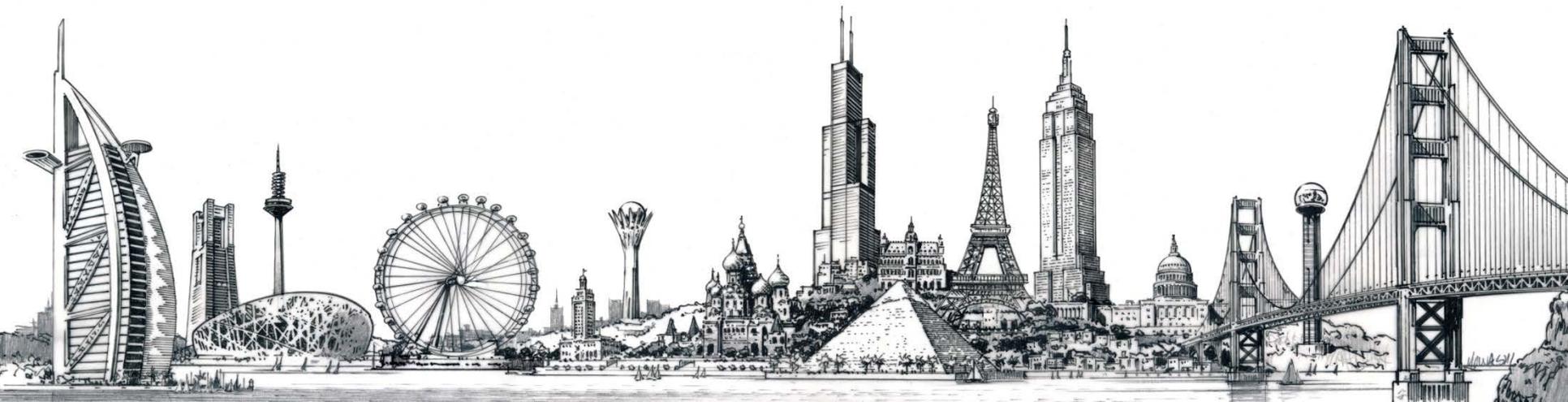


Morgan Lewis

2ND JAPAN-U.S. DECOMMISSIONING AND REMEDIATION FUKUSHIMA RECOVERY FORUM

John E. Matthews

April 9-10, 2015



SECTION 01

MORGAN LEWIS OVERVIEW

Firm Overview

- Founded in 1873, we stand on the shoulders of more than 140 years of achievement
- Provide comprehensive litigation, corporate, finance, restructuring, employment and benefits, and intellectual property services in all major industries
- More than 2,000 legal professionals, including lawyers, patent agents, employee benefits advisers, regulatory scientists, and other specialists
- 300 lawyers are listed in the 2014 Chambers publications, including 52 lawyers in *Chambers Global*, 147 in *Chambers USA*, 14 in *Chambers Europe*, 9 in *Chambers UK*, 3 in *Chambers Latin America*, and 2 in *Chambers Asia*.

Global Presence

- 29 offices in North America, Europe, Asia, and the Middle East
- Agile global partner, our teams work across multiple jurisdictions, practice areas, and our offices around the world
- Across the Asia-Pacific Region, key practice areas include mergers and acquisitions, private equity, asset management, finance and restructuring, banking, structured finance, over-the-counter (OTC) and exchange-traded derivative products, shipping, gaming, intellectual property, labor, employment, employee benefits, international tax planning, and other corporate transactions
- Most recently, joined forces with Singapore's Stamford Law Corporation to form Morgan Lewis Stamford to serve clients with strategic interests in Singapore and across the expanding Asian marketplace

SECTION 02

MORGAN LEWIS ENERGY PRACTICE GROUP

Energy Regulatory Practice

- Serve the electric, gas, oil, renewables, nuclear, fossil, marketing, transmission, and distribution sectors
- Work includes mergers, acquisitions, and joint ventures; project development and financing; structuring of cross-border investments; internal and government investigations and enforcement; strategic planning and corporate restructuring; transmission; ratemaking; regulatory compliance and licensing; debt and equity securities issuances; and energy marketing and trading
- Clients include integrated oil companies, state-owned entities, investor-owned utilities, independent power producers, petrochemical companies, refiners and marketers, project developers, financial institutions and private equity firms, service companies, independent oil and gas companies, commercial users, and government contractors including US Department of Energy (DOE) contractors

Energy Transaction Practice

- More than 100 energy lawyers operating in key energy and financial centers, we advise on project development and finance; mergers, acquisitions, and joint ventures; capital markets transactions; and regulatory and compliance issues
- Coverage extends across the energy spectrum, from oil and gas to liquefied natural gas (LNG), petrochemicals and refining, and conventional and renewable electric power
- Combine our transactional experience and industry and regional knowledge with the firm's global resources in energy regulation, tax, environmental, antitrust, securities, and real estate matters to provide complete advice on critical issues facing the industry today

Nuclear Practice

- 20 attorneys who spend 100% of their time on nuclear matters
- Represent more than 60% of existing nuclear plants in the U.S., and we have applied this industry knowledge and experience to advise clients in international markets
- Assist our clients with new nuclear power plants, transactions (including “first-of-a-kind”), plant regulation, nuclear liability issues, and all aspects of the nuclear fuel cycle, as well as nuclear-related employment and immigration issues
- Clients are involved not only in the generation of nuclear power, but also in all aspects of the nuclear fuel cycle, including uranium mining, enrichment, fabrication, decommissioning, waste management, waste transport, and waste disposal
- Successfully handled some of the industry's most challenging radioactive waste management, decontamination, and decommissioning issues, including innovative project structures

Energy Practice Awards

- Ranked Energy Law Firm of the Year by *U.S. News & World Report/Best Lawyers* (2015)
- 16 Morgan Lewis lawyers are listed in *Chambers & Partners* for Energy & Natural Resources (the most number at any firm).
- Named a Top 10 Energy Law Firm by *Houston Business Journal* (2015, 2014)
- Named Energy Group of the Year by *Law360* (2012)

SECTION 03

U.S. EXPERIENCE WITH STRUCTURES FOR EXECUTION OF DECOMMISSIONING PROJECTS

Structures for Execution of Decommissioning Projects (U.S. Experience)

- Experience in the 1990s
 - Maine Yankee, Connecticut Yankee and Yankee Rowe shut down in 1990s and entered into “fixed price” contracts with Decommissioning Operations Contractor (DOC) to conduct active decommissioning
 - DOC efforts failed
 - Contractors failed to underestimated costs (extent of effort, disposal costs, *etc.*)
 - Vendors were unable to perform under their contracts (bankruptcy, litigation)
 - Maine Yankee and Connecticut Yankee formed small dedicated organizations (10 key leaders) to “self-perform” decommissioning
 - Managed contracts with multiple vendors
- New Execution Models have evolved
 - Zion Nuclear Power Station (Illinois)
 - Project X
 - San Onofre Nuclear Generating Station (California)

Zion Nuclear Power Station (License Stewardship)

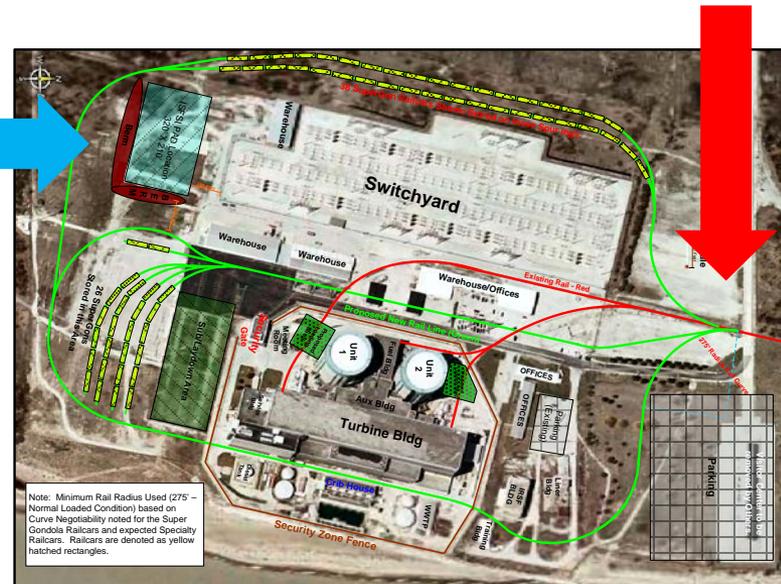
- Utility Owner/Operator (Exelon) had shut down Zion in 1998 and planned to commence decommissioning in the 2020s
 - “Delayed DECON”
 - Nuclear Decommissioning Trust earnings grow over time to cover costs
- Energy *Solutions* entered into agreement to acquire Zion (including trust funds) in 2010 and complete decommissioning by 2020
 - *ZionSolutions*, LLC became owner and “operator” licensee for Zion
 - Site leased by Exelon to *ZionSolutions*
 - Rent penalties apply if decommissioning not completed by 2020
 - Performance further assured by Parental Guaranty, \$200 million Letter of Credit, and Easement for Capacity at Waste Disposal Site
 - Exelon retained title to spent fuel, but *ZionSolutions* was responsible for managing fuel (transfer to dry storage facility)
 - Put Option to return NRC License and possession of spent fuel to Exelon when “End State Conditions” are met, subject to regulatory approval

Zion Nuclear Power Station



Site Modifications with Rail Spurs

Dry Storage
(ISFSI)



Project X (License Stewardship)

- Utility Owner/Operator has self-performed decommissioning to move spent fuel to dry storage and remove Class B & C waste
 - Reactor vessel, containment building and balance of plant remain to be decommissioned
- Vendor is negotiating license stewardship, but utility will retain ownership
 - Vendor to become “operator” licensee, responsible to NRC for nuclear safety and security, but utility remains owner licensee and retains trust funds
 - Risk Transfer based upon a Decommissioning Agreement between Vendor and Utility, which provides for fixed amount of Nuclear Decommissioning Trust dedicated to achieve End-State-Conditions
 - Vendor will have right to provide certificate to Trustee and withdraw funds for decommissioning costs after they are incurred
 - Performance assured by Parent Guaranty, Performance Bond, and Easement for Capacity at Waste Disposal Site
 - After End-State-Conditions are achieved, NRC license will be returned to Owner to maintain dry storage facility until U.S. Government picks up fuel, subject to regulatory approvals

San Onofre Nuclear Generating Station (SONGS)

- Majority owned and operated by Southern California Edison Company (SCE), which permanently shutdown SONGS in June 2013
 - Decommissioning liability shared with other three other owners, 20%, ~2.5%, and ~1.8%, each of whom has equal voice in decision making
- Decommissioning Agreement among participants provides for joint decision making to oversee decommissioning (unanimous consent required)
 - SCE currently acts as Decommissioning Agent for the owners (lead NRC licensee)
 - Campaign underway to move spent fuel to dry storage
 - Plans for prompt DECON to be executed by a Decommissioning General Contractor
 - Exploring creation of a jointly controlled Decommissioning Management & Oversight Company (DM&O Co.) to replace SCE as Decommissioning Agent
 - NRC license for decommissioning operations would be transferred to DM&O Co., which would assume full responsibility for nuclear safety and security
 - Owners continue to remain NRC owner license, each holding trust funds for decommissioning

San Onofre Nuclear Generating Station (SONGS)



Biography



John E. Matthews

Washington, D.C.

T +1.202.739.5524

F +1.202.739.3001

John E. Matthews assists clients seeking regulatory approvals from the Nuclear Regulatory Commission (NRC) for first-of-its-kind commercial transactions involving nuclear power plants. He also advises on commercial issues relating to nuclear power plants, other nuclear assets, nuclear export controls, certain government contract matters, and NRC review of license transfers. Clients turn to John for guidance regarding decommissioning funding issues and foreign ownership, control or domination (FOCD) issues.

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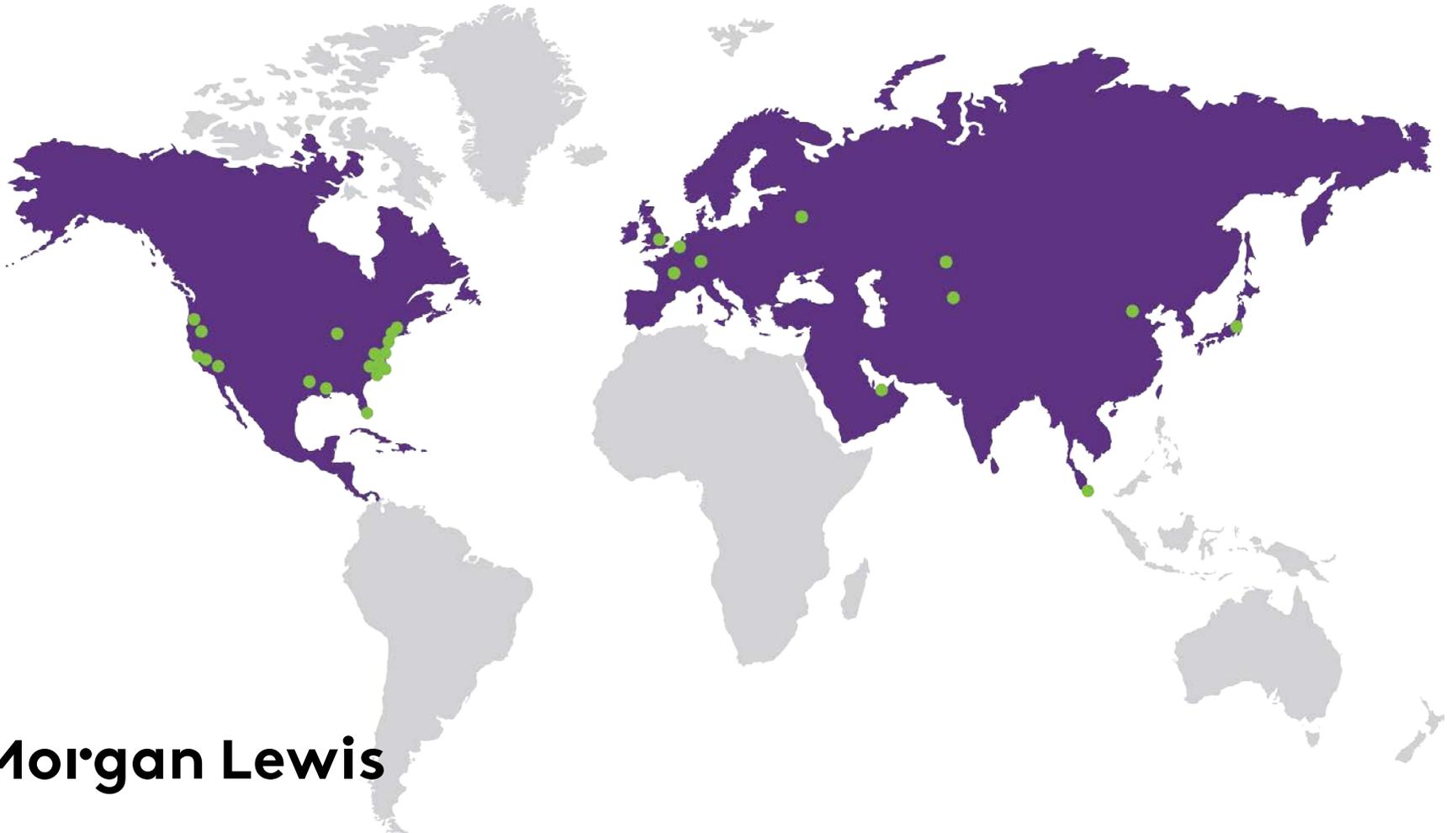
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