BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1243
DOCKET NO. E-2, SUB 1262

In the Matter of:	)	
	)	**REBUTTAL TESTIMONY OF**
Petition of Duke Energy Carolinas, LLC	)	**MELISSA ABERNATHY**
And Duke Energy Progress, LLC for	)	**FOR DUKE ENERGY**
Issuance of Storm Cost Recovery Financing	)	**CAROLINAS, LLC AND DUKE**
Orders	)	**ENERGY PROGRESS, LLC**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Melissa Abernathy, and my business address is 550 South Tryon Street, Charlotte, North Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Director of Rates & Regulatory Planning for North Carolina and South Carolina, employed by Duke Energy Carolinas, LLC ("DEC"), testifying on behalf of DEC and Duke Energy Progress, LLC ("DEP") (each a "Company" or collectively "the Companies").

Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed direct testimony and exhibits on October 26, 2020.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to: (1) respond to certain accounting recommendations proposed by the Public Staff in its direct testimony; (2) respond to Saber Partners, LLC's ("Public Staff Consultants") comments related to the quantifiable customer benefit calculations provided in Abernathy Exhibits 5-7 for both DEC and DEP; (3) provide exhibits showing the calculation of quantifiable benefits to customers assuming a 20-year bond period; and (4) respond to the Public Staff's request to audit updated storm costs.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL TESTIMONY?

A. Yes. The following exhibits are presented in conjunction with my rebuttal testimony for both DEC and DEP:

- Abernathy Rebuttal Exhibit 1 – Updated Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers – 15-year bond term
- Abernathy Rebuttal Exhibit 2 – Updated Annual Revenue Requirement - Traditional Recovery Model, with supporting schedules
- Abernathy Rebuttal Exhibit 3 – Updated Annual Revenue Requirement - Storm Recovery Charge Model – 15-year bond term
- Abernathy Rebuttal Exhibit 4 – Traditional Recovery Model versus Storm Recovery Charge Model – Quantifiable Benefit to Customers – 20-year bond term
- Abernathy Rebuttal Exhibit 5 – Annual Revenue Requirement – Storm Recovery Charge Model – 20-year bond term

Each of these exhibits were prepared under my direction and control, and to the best of my knowledge all factual matters contained therein are true and accurate.

II. <u>PUBLIC STAFF ACCOUNTING RECOMMENDATIONS</u>

Q. PLEASE PROVIDE AN OVERVIEW OF THE PUBLIC STAFF'S ACCOUNTING RECOMMENDATIONS.

A. The Public Staff makes several accounting recommendations regarding the potential over- or under-recoveries of the Companies' up-front and on-going financing costs, potential over-collections of tail-end collections, and over-recoveries of the servicing and administration fees. Specifically, regarding up-front financing costs, the Public Staff recommends that for under-recoveries, the regulatory asset that the Companies proposed to establish include only the excess costs, adjusted if appropriate for income taxes, and accrued carrying costs at the Companies' respective net-of-tax weighted average cost of capital ("WACC"), and collected in each of the Companies' next general rate cases. For over-recoveries of up-front financing costs, the Public Staff recommends that these amounts be credited back to customers through use of a deferred regulatory liability and subsequent credit to the Companies' cost of service, in each of the Companies' next general rate cases.

For tail-end collections, the Public Staff recommends that any overcollection be held in a regulatory liability account, separate from other securitization-related regulatory assets and liabilities, and adjusted if appropriate for income taxes and accrued carrying costs at the Companies' respective net-of-tax WACC, and then refunded to customers in the Companies' next general rate cases. For on-going financing costs, the Public

Staff argues that adjustments that are passed through to the non-bypassable storm recovery charges be matched with an offsetting regulatory asset or liability in the Companies' traditional ratemaking cost of service. Last, regarding servicing and administration fees, the Public Staff argues that these costs should be held in a regulatory liability account, separate from the regulatory assets and liabilities of other types of securitization-related costs and benefits, adjusted if appropriate for income taxes and accrued carrying costs at the Companies' respective net-of-tax WACC, and refunded to customers in the Companies' next respective general rate cases.

For the reasons I explain below, the Companies agree with the Public Staff's recommendations related to the under-recovery of up-front financing costs and tail-end collections. However, the Companies do not agree with the Public Staff's recommendation to establish a regulatory liability for the over-recovery of up-front financing costs and the recommendations related to on-going financing costs. In addition to my reasons, Companies witness Thomas J. Heath, Jr. further explains why the Public Staff's recommendations regarding up-front financing costs and on-going financing costs should be denied from his perspective. Last, the Companies do not believe the Public Staff's recommendations related to servicing and administration fees are warranted under the circumstances.

A. Up-Front Financing Costs

Q. PLEASE SUMMARIZE THE COMPANIES' INITIAL PROPOSAL TO ADDRESS POTENTIAL OVER- OR UNDER-RECOVERIES OF UP-FRONT FINANCING COSTS.

A. As Companies witness Heath explains in his direct testimony, up-front financing costs are the fees and expenses incurred to prepare, petition for, and obtain the financing orders; the expenses for structuring, marketing, and issuing the storm recovery bonds; and the costs of outside consultants and counsel engaged by the North Carolina Utilities Commission ("Commission") and Public Staff.[1] The proposed up-front financing costs are estimates, and actual costs will not be known until after the final terms of the bond issuance have been established. Therefore, there is the potential for over- or under-recoveries. Recognizing this fact, the Companies proposed to address recovery of actual up-front financing costs as follows:

> **Under-recovery**: Once the up-front financing costs are known, if actual up-front financing costs are in excess of the amounts estimated, the Companies propose to establish a regulatory asset to defer any prudently incurred excess amounts of up-front financing costs, to preserve those costs for later recovery in each Company's next general rate case proceeding.

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[1] *See* Direct Testimony Witness Thomas J. Heath, Jr., at 19-20, Docket Nos. E-7, Sub 1243 and E-2, Sub 1262 (Oct. 26, 2020).

Over-recovery: If the actual up-front financing costs are less than the estimated costs, the Companies propose to credit the difference back to customers through the semi-annual true-up mechanism discussed by Companies witness Shana Angers, or in a manner otherwise determined in the Financing Orders.

Q. WHY DID THE COMPANIES PROPOSE ONE RECONCILIATION METHOD IF AN UNDER-RECOVERY AND ANOTHER RECONCILIATION METHOD IF AN OVER-RECOVERY?

A. The Companies proposed different reconciliation methods based on the cash flows involved in each situation. If there is an under-collection of up-front financing costs, the Special Purpose Entity ("SPE") will not have excess funds to pay the difference. Therefore, DEC or DEP will be required to pay the difference. As the amounts are not part of the bond principal amount, they will not be collected through the storm recovery charge, but rather will need to be recovered through a different mechanism by the impacted Company. By contrast, if there is an over-collection of up-front financing costs, then the SPE has received more funds from the bond issuance than what is needed to cover the up-front financing costs, and these amounts will be factored into the next true-up resulting in lower storm recovery charges for customers.

Q. DOES THE PUBLIC STAFF AGREE WITH THE COMPANIES' ACCOUNTING PROPOSAL FOR UNDER-RECOVERIES OF UP-FRONT FINANCING COSTS?

A. Yes. With respect to under-recoveries, the joint testimony of Public Staff witnesses Michael C. Maness and Michelle M. Boswell states that the "Public Staff does not oppose establishing a regulatory asset for prudently incurred and properly accounted for under-recoveries of up-front costs."[2] Public Staff additionally recommends the regulatory asset be adjusted for income taxes and accrued carrying costs at the Companies' net-of-tax WACC return. The Companies agree with this recommendation.

Q. DOES THE PUBLIC STAFF AGREE WITH THE COMPANIES' PROPOSAL FOR POTENTIAL OVER-RECOVERIES OF UP-FRONT FINANCING COSTS?

A. No. While the Companies propose to return this excess to customers in the next storm charge true-up that will occur semi-annually, the Public Staff proposes that any excess or over-collection be set aside in a regulatory liability, earning a WACC return, to be considered in each Company's next general rate case.

[2] Testimony of Michael C. Maness and Michelle M. Boswell Public Staff—North Carolina Utilities Commission, at 24, Docket Nos. E-2, Sub 1262 and E-7, Sub 1243 (filed Dec. 22, 2020).

Q. ARE THE COMPANIES OPPOSED TO THE PUBLIC STAFF'S RECOMMENDATION RELATED TO UNDER-RECOVERIES OF UP-FRONT FINANCING COSTS?

A. Yes. In addition to the reasons explained in witness Heath's testimony regarding the separateness between the Companies and each SPE for bankruptcy remoteness purposes, the Public Staff's proposal is a less efficient and less practical method to returning these excess costs to customers than the Companies' proposed methodology. Instead of recording a regulatory liability and waiting to address the over-recovery in a subsequent rate case, the Companies' method addresses the over-recovery through the semi-annual true-up mechanism more quickly.

B. <u>On-Going Financing Costs</u>

Q. PLEASE DESCRIBE THE PUBLIC STAFF'S PROPOSAL RELATED TO ON-GOING FINANCING COSTS.

A. As Companies witness Heath explains in his direct testimony, there will be on-going expenses that will be incurred by each SPE throughout the life of the storm recovery bonds to support its on-going operations. These on-going financing costs include servicing fees; administration fees; accounting and auditing fees; regulatory fees; legal fees; rating agency surveillance fees; trustee fees; independent director or manager fees; and other miscellaneous fees associated with the servicing of the storm recovery bonds.

The Public Staff makes recommendations in Public Staff witnesses Maness and Boswell's joint testimony, and mentioned in Public Staff Consultant witness Paul Sutherland's testimony, related to these on-going financing costs that envision a future prudency review of such costs with the Companies being required to create a regulatory liability for the purposes of providing a credit to customers from the Companies for amounts determined to be imprudently incurred.

Q. DO THE COMPANIES AGREE WITH THE PUBLIC STAFF'S RECOMMENDED ACCOUNTING TREATMENT FOR ON-GOING FINANCING COSTS?

A. No. For the reasons further explained in Companies witness Heath's rebuttal testimony, the Public Staff's recommendation does not make practical sense from a ratemaking perspective since the on-going financing costs are costs incurred by the separate SPEs, not DEC or DEP. As such, allowing the Public Staff to recommend adjustments to the Companies' cost of service for costs the Companies did not incur would be inappropriate. Additionally, while I'm not a lawyer, based on my reading of N.C. Gen. § Stat. 62-172 (the "Securitization Statute"), the Public Staff's proposal expands the scope of the review permitted by the Securitization Statue. Section (b)(3)d. of the Securitization Statute clearly states, in plain language, that any review of an adjustment filing be limited to mathematical and clerical errors, which is inconsistent with the Public

Staff's recommendation. Further, the Companies are not aware of any other jurisdiction where this type of a mechanism is in place.

Q. DOES THE PUBLIC STAFF MAKE A SIMILAR PROPOSAL REGARDING THE COMPANIES' ACCOUNTING OF SERVICING AND ADMINISTRATION FEES, WHICH QUALIFY AS ON-GOING FINANCING COSTS?

A. Yes. But before I continue, I want to highlight an important distinction between including the servicing and administration fees in each Companies' cost of service subject to a general rate case and other on-going financing costs. Unlike other on-going financing costs, the servicing and administration fees are collected *by* the Companies as payment for *their* services as servicer and administrator, and the Companies are only entitled to earn a fee for the incremental costs incurred in servicing bonds and administering their applicable SPE. Therefore, it is entirely appropriate to include those fees in the Companies' respective cost of service because these are fees received by the Companies, not the SPEs. Accordingly, the Companies recommended that the fees would be reflected in future rate case cost of service studies, so the Companies are only compensated for the incremental costs incurred in connection with performing their obligations under the servicing and administration agreements.

However, the Public Staff recommends that since general rate case proceedings do not occur every year, these servicing and administrative fees should be tracked separately and any over-collections should be held in a regulatory liability account to be refunded to customers in the next general rate case, adjusted for income taxes and accrued carrying costs at the Companies' net-of-tax WACC.

Q. DO THE COMPANIES AGREE WITH THE PUBLIC STAFF'S RECOMMENDED TREATMENT?

A. No. The Companies believe the servicing and administration fees are reasonable and tracking of the actual costs incurred is unnecessary, given the magnitude of the dollars involved. The servicing and administration fees are estimated to be approximately $180,000 per year for DEC and approximately $460,000 per year for DEP. Therefore, the difference between these payments received by the utilities and the actual costs incurred is likely to be even smaller. Amounts of this magnitude, well under a million dollars for DEC and DEP combined, are not typically considered material enough to establish regulatory assets and liabilities and track outside of a general rate case. Moreover, the administrative effort to track these costs in the way the Public Staff suggests will increase costs to customers without providing any material benefit. The Companies' proposal instead produces a similar result using less burdensome and more efficient means.

C. Tail-End Collections

Q. PLEASE SUMMARIZE THE COMPANIES' INITIAL PROPOSAL AS IT RELATES TO POTENTIAL OVER-RECOVERIES OF TAIL-END COLLECTIONS.

A. Overcollection related to tail-end collections is due to the timing difference of when billing and collections cease, and the storm recovery bonds are fully recovered. The Companies proposed that any overcollection would be recorded to a regulatory liability account for any amounts remaining in each Collection Account, less the amount of any Capital Subaccount, which would be credited back to customers in the next general rate case following the maturity of the storms recovery bonds.

Q. DOES THE PUBLIC STAFF AGREE WITH THE COMPANIES' PROPOSAL RELATING TO TAIL-END COLLECTIONS.

A. The Public Staff's recommendation agrees in part with the Companies that the tail-end collections should be recorded to a regulatory liability; however, Public Staff additionally recommends the regulatory liability be adjusted for income taxes and accrued carrying costs at the Companies' net-of-tax WACC.

Q. DO THE COMPANIES AGREE WITH THE PUBLIC STAFF'S ADDITIONAL PROPOSAL RELATING TO TAIL-END COLLECTIONS?

A. Yes, the Companies agree with this methodology. The tail-end collections will stay with the SPE trustee until the storm recovery charge is set at $0 and no more cash from the storm recovery charge is being collected. At that point in time, all cash at the trustee (i.e. the Excess Funds and Capital Subaccounts) will be distributed to DEC and DEP. Once the cash from the tail-end collections is received by DEC and DEP, the regulatory liability discussed above would be recorded. Until DEC and DEP actually receive the cash from the SPE trustee, there is no actual liability to customers.

Q. DO YOU HAVE ANY COMMENTS ON THE RECOMMENDATION PROPOSED BY THE PUBLIC STAFF RELATED TO THE COMPANIES' INITIAL CAPITAL CONTRIBUTION TO THE SPE, IN LIGHT OF THE PROPOSED TREATMENT OF TAIL-END COLLECTIONS?

A. Yes. While Companies witness Heath addresses the Public Staff's recommended return on the Companies' capital contribution in his rebuttal testimony, one related observation I would like to make is that Public Staff's recommendation of a WACC return on the regulatory liability related to potential tail-end collections is inconsistent with their recommendation related to the return on the Companies' capital contributions. In both scenarios, funds have been contributed by an entity (the customers in the event of any tail-end collections and the Companies for the initial capital contribution) and held for a period of time (15 to 20 years in the case of the initial contributions, and the period between the end of the storm recovery charge and the next general rate case for the tail end collections), and so a reasonable return to reimburse the entity for the cost of using those funds for that period should be awarded. However, unlike the tail-end collections, the Public Staff has recommended that the return on the capital contributions be limited to only the investment return on the funds while the Companies have proposed to earn a return at the interest rate of the highest tranche of bonds, which is actually less than their WACC. Similar to traditional utility capital expenditures, the capital contributions are amounts borrowed from the Companies' investors and provided to the SPEs, and the Companies will incur costs for the use of those funds for the duration of the bond period and have proposed to earn a return at the interest rate of the highest tranche of bonds, even though their WACC, which again is higher, is actually the true cost the Companies will incur for the use of the funds. Accordingly, to further discount this amount would be inappropriate. The Public Staff and their consultant reference benefits to the Company from securitization and use this as a justification to deny full cost recovery. While we disagree with the use of this justification, even if that were the case, customers are also quantifiably benefitting from the securitization as shown in my exhibits, but yet the Public Staff is recommending the use of the Companies' WACC as the appropriate level of return that customers should receive, which exposes the asymmetry of the Public Staff's argument. While it is hard to predict the timing of rate cases after conclusion of the storm recovery charge, it is likely that it will be less than the 15 to 20 years that the Companies will not have access to the capital contributions, which in my opinion is another argument for a more similar return. Again, the Companies agree with the application of the WACC to the tail-end collections but are seeking somewhat symmetrical treatment for their contribution.

III. <u>CALCULATION OF QUANTIFIABLE CUSTOMER BENEFITS</u>

Q. ARE THERE ISSUES RAISED BY THE PUBLIC STAFF'S CONSULTANT THAT YOU WOULD LIKE TO ADDRESS REGARDING THE CALCULATION OF QUANTIFIABLE CUSTOMER BENEFITS?

A. Yes. I would also like to address comments by Public Staff Consultant witness Sutherland regarding the interest rate used in the net present value calculation of quantifiable benefits to customers for both Companies. Witness Sutherland argues that the interest rate used in the calculation of quantifiable benefits to customers results in an overstatement of savings, and also argues that there was an error in the estimate of the A-5 tranche interest rate that was provided by Companies witness Charles N. Atkins II, thus impacting the weighted average interest rate. Companies witness Atkins will address the comments around the interest rates used in the models and I will respond to the comments around the interest rate used in the quantifiable benefits calculation.

Q. DO YOU AGREE WITH WITNESS SUTHERLAND'S CHARACTERIZATION OF THE BOND INTEREST RATE USED IN EXHIBIT 7 AS AN "ERROR"?

A. No. The calculations of quantifiable benefits for DEC and DEP provided in Abernathy Exhibits 5-7 were based on a high-level model that was developed by the Companies and the Public Staff during negotiations that led to the First Partial Stipulations in the Companies' recently concluded rate cases, Docket Nos. E-7, Sub 1214 and E-2, Sub 1219. This model included several assumptions related to storm dates, dates of rate cases, timing of securitization, interest rates, and financing costs to be used in the hypothetical savings calculation based on the First Partial Stipulations. Accordingly, I agree that the interest rate used in Abernathy Exhibit 7 is not representative of the average interest rate over the life of the bonds being considered in this transaction, as discussed by witness Sutherland. The rates used are the weighted average rate at issuance of the bonds, based on the principal amount of each tranche, but this rate is just used as an assumption for a bond interest rate in the high-level savings model.

In fact, in my direct testimony, I acknowledged that the high-level model included various assumptions around dates of the Storms and new rates' effective dates in the pending rate cases. I also noted that if the actual dates had been used in the analysis of savings then, the revenue requirement would have increased, but the comparison of the Traditional Recovery Model and the Storm

Securitization Model would still show savings. Public Staff witnesses Maness and Boswell even acknowledged on page 27 of their testimony that the high-level model I used incorporated the assumptions agreed to by the Companies and the Public Staff in their First Partial Stipulations. If Public Staff Consultants believe a more precise interest rate should now be used in the customer benefit calculation, then it is appropriate to also adjust other assumptions, including using actual dates related to Storms and new rates' effective dates, as well as using the actual estimated cash flows from the Storm Securitization Model. As such, I have recalculated the quantifiable benefits to factor in the actual date of the Storms, the dates of interim rates effective in the pending rate cases, and the actual estimated cash flows from securitization as shown in Abernathy Rebuttal Exhibit 4. The actual cash flows from the Storm Securitization Model reflect the more precise weighted interest cost over time referenced by witness Sutherland.

Consistent with the First Partial Stipulations, the calculations assume up to 12 months of amortization expense and capital costs were excluded from the revenue requirement for the Traditional Recovery Model. The revised calculation for the Traditional Recovery Model is included as Abernathy Rebuttal Exhibit 2 for each Company. The revised calculation for the Storm Securitization Model, based on actual estimated cash flows, is included as Abernathy Rebuttal Exhibit 3 for each Company. The revised net present value comparison for quantifiable customer benefits is shown as Abernathy Rebuttal Exhibit 1 for each Company.

Q. WHAT ARE THE CUSTOMER SAVINGS AMOUNTS FOR DEC AND DEP BASED ON ACTUAL DATES AND ESTIMATED CASH FLOWS ASSUMING A 15-YEAR BOND PERIOD?

A. The updated calculations are provided in Abernathy Rebuttal Exhibits 1-3 for each Company. Based on these calculations, DEC expects approximately $57.5 million, or 31.2%, in customer savings will be achieved through securitization of its storm costs, as compared to $58 million, or 32% noted in the Joint Petition. Similarly, DEP expects approximately $216.2 million, or 34.4%, in customers savings will be achieved through securitization of its storm costs, as compared to $199 million, or 33% noted in the Joint Petition. In summary, regardless of the calculation used, the Companies anticipate significant customer benefits being achieved through securitization.

IV. <u>15- OR UP TO 20-YEAR BOND AMORTIZATION PERIOD</u>

Q. WHAT BOND AMORTIZATION PERIOD DID THE COMPANIES PROPOSE?

A. The Companies proposed a 15-year amortization period.

Q. ARE THE COMPANIES OPPOSED TO THE PUBLIC STAFF'S 20-YEAR BOND AMORTIZATION PERIOD PROPOSAL?

A. No, if lengthening the amortization is desirable to the Commission under the circumstances. However, for the reasons stated in witness Heath's direct testimony[3], the Companies continue to support their original 15-year amortization period as a reasonable and appropriate balance between customer benefits and the length of the bonds and associated storm recovery charge. Additionally, I agree with the "note of caution" raised by Public Staff witnesses Maness and Boswell on page 28 of their joint testimony concerning long term amortization periods, and believe this Public Staff statement evidences the reasonableness of the Companies' original 15-year proposal.

Q. PLEASE PROVIDE THE CALCULATION OF QUANTIFIABLE CUSTOMER BENEFITS IF A 20-YEAR BOND AMORTIZATION PERIOD IS USED FOR THIS SECURITIZATION.

A. The calculation of quantifiable customer benefits assuming a 20-year bond amortization period is shown in Abernathy Rebuttal Exhibits 4 and 5 for both DEC and DEP. A 20-year bond term is estimated to provide approximately $67.9 million (36.9%) savings to customers for DEC and $249.8 million (39.8%) savings to customers for DEP. The calculation uses the actual estimated cash flows for a 20-year bond structure as provided by Companies witness Atkins. For the Traditional Recovery Model, the revenue requirement remains the same as in Abernathy Rebuttal Exhibit 2 for each Company, given that 15 years was the longest recovery period proposed in the rate cases.

[3] Direct Testimony of Thomas J. Heath, Jr., at 8-9, Docket Nos. E-7, Sub 1243 and E-2, Sub 1262 (Oct. 26, 2020).

V. PUBLIC STAFF ADDITIONAL AUDIT OF STORM COSTS

Q. PLEASE SUMMARIZE THE PUBLIC STAFF'S REQUEST FOR AN ADDITIONAL AUDIT OF THE COMPANIES' STORM COSTS.

A. The Public Staff requests that the Commission require the Companies to provide "any further supporting documentation [of O&M expenses since the general rate cases] requested by the Public Staff" to perform an additional audit of the Companies' storm costs.

Q. WHAT IS THE PUBLIC STAFF'S REASONING FOR THIS ADDITIONAL AUDIT?

A. Public Staff witnesses Maness and Boswell state that the "Public Staff has not been able to fully review all the changes in recorded O&M expenses since the general rate cases," and that, therefore, those changes in expenses remain subject to future review, including a prudency review in a future general rate case.

Q. WAS THE PUBLIC STAFF GRANTED AN OPPORTUNITY TO REVIEW THESE COSTS DURING THE RATE CASE AND THIS DOCKET'S DISCOVERY PERIOD?

A. Yes. Since the completion of the Public Staff's investigation into the Companies' proposed retail electric rates and charges in their respective general rate case dockets (in which the vast majority of the underlying storm costs were audited and determined by the Public Staff to be reasonably and prudently incurred)[4], the Public Staff had nearly two months to conduct an audit of any adjustments to storm costs.[5] As witnesses Maness and Boswell admit on page 10 of their testimony, the Public Staff already had supporting documentation for the net reduction in costs in their possession. Notwithstanding, the Public Staff only asked one follow-up question regarding the underlying storm costs during the discovery period (*see* Heath Exhibit 1, Public Staff Data Request No. 11-3).

Q. DO THE COMPANIES AGREE WITH THE RECOMMENDATIONS OF PUBLIC STAFF WITNESSES MANESS AND BOSWELL REGARDING FURTHER AUDITS OF THE UNDERLYING STORM RECOVERY COSTS?

A. The Companies completely understand and support the Public Staff's general need and authority to audit the Companies' costs. However, the Companies do not agree with the Public Staff's request in this case due to timing and the need for certainty coming out of this proceeding of the underlying storm costs eligible for securitization. The amounts included in the rate cases included estimates of storm costs as the amounts were being finalized and the Public Staff determined that the amounts included in the rate cases were reasonable and prudently incurred. Since the rate cases, the storm costs have been finalized

[4] Public Staff witnesses Maness and Boswell acknowledge on page 9 of their joint testimony that the Companies updated the amounts of the O&M storm expenses in their respective rate cases.

[5] The Companies filed their storm securitization petition on October 26, 2020. Discovery on the Companies' petition ended on December 15, 2020. The Public Staff's first set of discovery requests was submitted on October 23, 2020, which is three days prior to the Companies' actual filing. The Public Staff clearly knows how and when to issue discovery on matters it wishes to explore.

and the amount of storm costs *decreased* from the amount included in the rate cases to the amount included in the Joint Petition. The Companies' storm costs have not changed since they filed their Joint Petition in October 2020 and the Public Staff had ample opportunity to audit the post rate case adjustments during the discovery period established in this proceeding but did not do so. The Public Staff should not now be afforded the opportunity to go back, at this late stage, to audit the post rate case adjustments, which decreased the costs included in the rate cases. To successfully structure, market, and price these bonds, the Companies need certainty regarding the underlying storm costs eligible for securitization. The Companies will not have that certainty if the underlying storm costs, which have been static for months, remain subject to audit for an indefinite period by the Public Staff. In the Companies' opinion, the over-riding need for certainty on securitized costs outweighs the marginal benefit to regulatory certainty that might be gained by a future audit of a very small portion of the storm costs being securitized in these circumstances. For these reasons, the Commission should deny the Public Staff's request.

VI. CONCLUSION

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Docket No. E-7, Sub 1243
Docket No. E-2, Sub 1262

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 1
Storm Securitization
NORTH CAROLINA RETAIL

Updated Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers - 15-year bond term

ANNUAL REVENUE REQUIREMENT

Line No.											
1		**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
2	Storm Recovery Charge Model [1]	(1,242)	6,407	13,995	14,278	14,561	14,844	15,126	15,409	15,692	15,975
3	Traditional Recovery Model [1]	8,262	25,069	24,234	23,398	22,562	21,727	20,891	20,056	19,220	18,385
4											
5											
6		**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**
7	Storm Recovery Charge Model [1]	16,258	16,541	16,824	17,107	17,389	12,401	3,647	-	-	-
8	Traditional Recovery Model [1]	17,549	16,714	15,878	15,042	10,141	1,439	1,404	1,370	1,335	1,300
9											
10											
11		**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**
12	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-
13	Traditional Recovery Model [1]	1,265	1,230	1,195	1,160	1,125	1,090	1,055	1,020	985	950
14											
15											
16		**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**
17	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-
18	Traditional Recovery Model [1]	915	880	845	810	775	740	705	670	635	601
19											
20											
21		**2060**	**2061**	**2062**	**2063**	**2064**	**Total**				
22	Storm Recovery Charge Model [1]	-	-	-	-	-	225,212				
23	Traditional Recovery Model [1]	566	531	496	461	221	306,901				
24											
25											
26											
27											

Line No.		Net Present Value [2]	Nominal Value	Net of Tax Weighted Average Cost of Capital
28				
29	Storm Recovery Charge Model [1]	$ 126,730	$ 225,212	6.56%
30	Traditional Recovery Model [1]	184,277	306,901	
31				
32	Relative cost (benefit) of securitization	(57,547)		
33	% savings to customers	-31.2%		

Notes:

[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model, Duke Energy Carolinas used assumptions that were agreed upon in the Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214. Refer to Abernathy Rebuttal Exhibit 2. Amounts calcuated under the Storm Recovery Model represent the actual expected cash flows of the storm recovery charge. Refer to Abernathy Rebuttal Exhibit 3.

[2] For the purposes of calculating net present value, Duke Energy Carolinas used the agreed upon WACC rate per the Public Staff Second Settlement and Stipulation in Docket No. E-7 Sub 1214.

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 1
Storm Securitization
NORTH CAROLINA RETAIL

Updated Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers - 15-year bond term

ANNUAL REVENUE REQUIREMENT

Line No.												
1		**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
2	Storm Recovery Charge Model [1]	(3,938)	20,924	45,302	46,188	47,073	47,959	48,844	49,730	50,616	51,501	
3	Traditional Recovery Model [1]	50,340	81,773	79,068	76,363	73,658	70,953	68,247	65,542	62,837	60,132	
4												
5												
6		**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	
7	Storm Recovery Charge Model [1]	52,387	53,272	54,158	55,043	55,929	39,878	11,821	-	-	-	
8	Traditional Recovery Model [1]	57,426	54,721	52,016	49,311	33,426	5,217	5,075	4,934	4,792	4,650	
9												
10												
11		**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	
12	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-	
13	Traditional Recovery Model [1]	4,508	4,367	4,225	4,083	3,942	3,800	3,658	3,517	3,375	3,233	
14												
15												
16		**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**Total**
17	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-	726,686
18	Traditional Recovery Model [1]	3,092	2,950	2,808	2,667	2,525	2,383	2,242	2,100	1,958	1,768	1,023,683
19												
20												

Line No.		Net Present Value [2]	Nominal Value	Net of Tax Weighted Average Cost of Capital
21				
22	Storm Recovery Charge Model [1]	$ 411,811	$ 726,686	6.5%
23	Traditional Recovery Model [1]	628,001	1,023,683	
24				
25	Relative cost (benefit) of securitization	(216,190)		
26	% savings to customers	-34.4%		

Notes:

[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model, Duke Energy Progress used assumptions that were agreed upon in the Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219. Refer to Abernathy Rebuttal Exhibit 2. Amounts calcuated under the Storm Recovery Model represent the actual expected cash flows of the storm recovery charge. Refer to Abernathy Rebuttal Exhibit 3.

[2] For the purposes of calculating net present value, Duke Energy Progress used the agreed upon WACC rate per the Public Staff Second Settlement and Stipulation in Docket No. E-2 Sub 1219.

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Traditional Recovery Model [1]

Line No.		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	**Storm Incremental O&M**										
2	Amortization expense	$ -	$ 4,066	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199
3	Return on Rate Base	-	3,541	10,942	10,141	9,340	8,540	7,739	6,939	6,138	5,337
4	**Storm Capital Investments**										
5	Depreciation expense	-	136	408	408	408	408	408	408	408	408
6	Return on Rate Base	-	519	1,521	1,486	1,451	1,416	1,381	1,346	1,311	1,276
7	Annual Revenue Requirement	$ -	$ 8,262	$ 25,069	$ 24,234	$ 23,398	$ 22,562	$ 21,727	$ 20,891	$ 20,056	$ 19,220
8											
9											
10		**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**
11	**Storm Incremental O&M**										
12	Amortization expense	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 8,132	$ -	$ -	$ -	$ -
13	Return on Rate Base	4,537	3,736	2,936	2,135	1,334	534	-	-	-	-
14	**Storm Capital Investments**										
15	Depreciation expense	408	408	408	408	408	408	408	408	408	408
16	Return on Rate Base	1,241	1,206	1,171	1,136	1,101	1,066	1,031	996	961	926
17	Annual Revenue Requirement	$ 18,385	$ 17,549	$ 16,714	$ 15,878	$ 15,042	$ 10,141	$ 1,439	$ 1,404	$ 1,370	$ 1,335
18											
19											
20		**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**
21	**Storm Incremental O&M**										
22	Amortization expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	Return on Rate Base	-	-	-	-	-	-	-	-	-	-
24	**Storm Capital Investments**										
25	Depreciation expense	408	408	408	408	408	408	408	408	408	408
26	Return on Rate Base	891	856	821	787	752	717	682	647	612	577
27	Annual Revenue Requirement	$ 1,300	$ 1,265	$ 1,230	$ 1,195	$ 1,160	$ 1,125	$ 1,090	$ 1,055	$ 1,020	$ 985
28											
29											
30		**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**
31	**Storm Incremental O&M**										
32	Amortization expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
33	Return on Rate Base	-	-	-	-	-	-	-	-	-	-
34	**Storm Capital Investments**										
35	Depreciation expense	408	408	408	408	408	408	408	408	408	408
36	Return on Rate Base	542	507	472	437	402	367	332	297	262	227
37	Annual Revenue Requirement	$ 950	$ 915	$ 880	$ 845	$ 810	$ 775	$ 740	$ 705	$ 670	$ 635
38											
39											
40		**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**	**2067**	**2068**
41	**Storm Incremental O&M**										
42	Amortization expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	Return on Rate Base	-	-	-	-	-	-	-	-	-	-
44	**Storm Capital Investments**										
45	Depreciation expense	408	408	408	408	408	204	-	-	-	-
46	Return on Rate Base	192	157	122	87	52	17	-	-	-	-
47	Annual Revenue Requirement	$ 601	$ 566	$ 531	$ 496	$ 461	$ 221	$ -	$ -	$ -	$ -
48											
49	**Total Revenue Requirement - Traditional Recovery Model**										**$ 306,901**
											-

Notes:
[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model, Duke Energy Carolinas used assumptions that were agreed upon in Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214. Refer to Abernathy Rebuttal Exhibit 2 pages 2-3.

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Traditional Recovery Model - Incremental O&M

Line No.	Assumptions		Revenue Requirement	
1	Storm Incremental O&M (less normal amount)	**$ 169,799**		
2			Deferral balance as of new rates effective date (after consideration of settlement terms)[1][2][3]	
3	Date of storm	Various	Distribution - Florence	49,647
4	Date of rates effective in new rate case	Sept 1, 2020 [5]	Distribution - Michael	72,084
5	Date of securitization	June 1, 2021	Distribution - Diego	42,850
6			Transmission - Florence	4,775
7	Pre Tax Weighted Average Cost of Capital [4]	8.6%	Transmission - Michael	999
8	Composite Tax Rate [4]	23.4%	Transmission - Diego	427
9	Net of Tax Weighted Average Cost of Capital [4]	6.6%		$ 170,782
10				
11			Annual Amortization	$ 12,199
12				
13				

Line No.		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
14		**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
15	Amortization Expense	$ -	$ 4,066	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199
16											
17	Unamortized Balance at beginning of year	167,258	161,879	166,716	154,517	142,318	130,120	117,921	105,722	93,523	81,325
18	Deferred Tax on Unamortized Balance	(39,055)	(37,799)	(38,929)	(36,080)	(33,232)	(30,383)	(27,535)	(24,686)	(21,838)	(18,990)
19	Net Rate Base	128,203	124,080	127,787	118,437	109,087	99,736	90,386	81,036	71,685	62,335
20	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
21	Return on Rate Base	-	3,541	10,942	10,141	9,340	8,540	7,739	6,939	6,138	5,337
22											
23	Annual Revenue Requirement	$ -	$ 7,608	$ 23,140	$ 22,340	$ 21,539	$ 20,738	$ 19,938	$ 19,137	$ 18,337	$ 17,536
24											
25											

Line No.		2029	2030	2031	2032	2033	2034
26		**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
27	Amortization Expense	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 12,199	$ 8,132
28	Amortization of deferred capital [2]	-	-	-	-	-	-
29	Unamortized Balance at beginning of year	69,126	56,927	44,729	32,530	20,331	8,132
30	Deferred Tax on Unamortized Balance	(16,141)	(13,293)	(10,444)	(7,596)	(4,747)	(1,899)
31	Net Rate Base	52,985	43,635	34,284	24,934	15,584	6,234
32	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
33	Return on Rate Base	4,537	3,736	2,936	2,135	1,334	534
34							
35	Annual Revenue Requirement	$ 16,735	$ 15,935	$ 15,134	$ 14,334	$ 13,533	$ 8,666
36							
37	**Total Revenue Requirement - Traditional Recovery Model - Incremental O&M**						**$ 254,650**

Notes:

[1] Per Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214, for traditional storm cost recovery, 12 months of amortization for each Storm was expensed prior to the new rates going into effect.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214, for traditional storm cost recovery, no capital costs incurred due to the Storms during the 12-month period were included in the deferred balance. Deferrals on capital begin after the 12-month period until the date the costs are included in new rates.

[3] Per Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214, for traditional storm cost recovery, no carrying charges were accrued on the deferred balance during the 12-month period following the date(s) of the Storm(s). Carrying charges are accrued and deferred after the 12-month period until the date the costs are included in new rates.

[4] For purposes of the calculation, Duke Energy Carolinas used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-7 Sub 1214.

[5] Interim Rates effective 8/24/2020 for DEC - for purposes of this calculation will use 9/1/2020

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Traditional Recovery Model - Capital Investments

Line No.	Assumptions		Revenue Requirement	
1	Storm Capital Investments	**$ 18,575**	Annual Depreciation [3]	$ 408
2				
3	Date of storm	Various		
4	Date of rates effective in new rate case	Sept 1, 2020 [2]		
5	Date of securitization	June 1, 2021		
6				
7	Pre Tax Weighted Average Cost of Capital [1]	8.6%		
8	Composite Tax Rate [1]	23.4%		
9				
10				
11				

Line No.		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
12											
13	Depreciation Expense	$ -	$ 136	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408
14											
15	Gross Plant at Beginning of the Year	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575
16	Accumulated Depreciation	(408)	(816)	(1,224)	(1,633)	(2,041)	(2,449)	(2,857)	(3,266)	(3,674)	(4,082)
17	Beginning Net Plant	18,575	18,167	17,759	17,351	16,942	16,534	16,126	15,718	15,309	14,901
18	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
19	Return on Rate Base	-	519	1,521	1,486	1,451	1,416	1,381	1,346	1,311	1,276
20											
21	Annual Revenue Requirement	$ -	$ 655	$ 1,929	$ 1,894	$ 1,859	$ 1,824	$ 1,789	$ 1,754	$ 1,719	$ 1,684
22											
23											

Line No.		2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
24											
25	Depreciation Expense	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408
26											
27	Gross Plant at Beginning of the Year	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575
28	Accumulated Depreciation	(4,491)	(4,899)	(5,307)	(5,715)	(6,124)	(6,532)	(6,940)	(7,348)	(7,757)	(8,165)
29	Beginning Net Plant	14,493	14,085	13,676	13,268	12,860	12,452	12,043	11,635	11,227	10,819
30	Net of Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
31	Return on Rate Base	1,241	1,206	1,171	1,136	1,101	1,066	1,031	996	961	926
32											
33	Annual Revenue Requirement	$ 1,649	$ 1,614	$ 1,579	$ 1,544	$ 1,509	$ 1,474	$ 1,439	$ 1,404	$ 1,370	$ 1,335
34											
35											

Line No.		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
36											
37	Depreciation Expense	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408
38											
39	Gross Plant at Beginning of the Year	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575
40	Accumulated Depreciation	(8,573)	(8,981)	(9,390)	(9,798)	(10,206)	(10,614)	(11,023)	(11,431)	(11,839)	(12,247)
41	Beginning Net Plant	10,410	10,002	9,594	9,186	8,777	8,369	7,961	7,553	7,144	6,736
42	WACC Return Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
43	Return on Rate Base	891	856	821	787	752	717	682	647	612	577
44											
45	Annual Revenue Requirement	$ 1,300	$ 1,265	$ 1,230	$ 1,195	$ 1,160	$ 1,125	$ 1,090	$ 1,055	$ 1,020	$ 985
46											
47											

Line No.		2049	2050	2051	2052	2053	2054	2055	2056	2057	2058
48											
49	Depreciation Expense	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408	$ 408
50											
51	Gross Plant at Beginning of the Year	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575
52	Accumulated Depreciation	(12,656)	(13,064)	(13,472)	(13,880)	(14,289)	(14,697)	(15,105)	(15,513)	(15,922)	(16,330)
53	Beginning Net Plant	6,328	5,920	5,511	5,103	4,695	4,287	3,878	3,470	3,062	2,654
54	WACC Return Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
55	Return on Rate Base	542	507	472	437	402	367	332	297	262	227
56											
57	Annual Revenue Requirement	$ 950	$ 915	$ 880	$ 845	$ 810	$ 775	$ 740	$ 705	$ 670	$ 635
58											
59											

Line No.		2059	2060	2061	2062	2063	2054
60							
61	Depreciation Expense	$ 408	$ 408	$ 408	$ 408	$ 408	$ 204
62							
63	Gross Plant at Beginning of the Year	18,575	18,575	18,575	18,575	18,575	18,575
64	Accumulated Depreciation	(16,738)	(17,146)	(17,555)	(17,963)	(18,371)	(18,575)
65	Beginning Net Plant	2,245	1,837	1,429	1,020	612	204
66	WACC Return Rate	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
67	Return on Rate Base	192	157	122	87	52	17
68							
69	Annual Revenue Requirement	$ 601	$ 566	$ 531	$ 496	$ 461	$ 221
70							
71	**Total Revenue Requirement - Traditional Recovery Model - Capital Investments**						**$ 52,251**

Notes:

[1] For purposes of the calculation, Duke Energy Carolinas used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-7 Sub 1214.

[2] Interim Rates effective 8/24/2020 for DEC - for purposes of this calculation will use 9/1/2020

[3] Annual depreciation calculated using current depreciation rates from E-7, Sub 1146.

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL

Updated Annual Revenue Requirement - Traditional Recovery Model [1]

Line No.		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	**Storm Incremental O&M**										
2	Amortization expense	$ -	$ 13,179	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538
3	Return on Rate Base	-	34,725	35,035	32,471	29,908	27,344	24,781	22,217	19,654	17,090
4	**Storm Capital Investments**										
5	Depreciation expense	-	560	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
6	Return on Rate Base	-	1,876	5,522	5,380	5,238	5,096	4,955	4,813	4,671	4,530
7	Annual Revenue Requirement	$ -	$ 50,340	$ 81,773	$ 79,068	$ 76,363	$ 73,658	$ 70,953	$ 68,247	$ 65,542	$ 62,837
8											
9											
10		**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**
11	**Storm Incremental O&M**										
12	Amortization expense	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 26,359	$ -	$ -	$ -	$ -
13	Return on Rate Base	14,527	11,963	9,400	6,836	4,273	1,709	-	-	-	-
14	**Storm Capital Investments**										
15	Depreciation expense	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
16	Return on Rate Base	4,388	4,246	4,105	3,963	3,821	3,680	3,538	3,396	3,255	3,113
17	Annual Revenue Requirement	$ 60,132	$ 57,426	$ 54,721	$ 52,016	$ 49,311	$ 33,426	$ 5,217	$ 5,075	$ 4,934	$ 4,792
18											
19											
20		**2039**	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**
21	**Storm Incremental O&M**										
22	Amortization expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	Return on Rate Base	-	-	-	-	-	-	-	-	-	-
24	**Storm Capital Investments**										
25	Depreciation expense	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
26	Return on Rate Base	2,971	2,830	2,688	2,546	2,405	2,263	2,121	1,979	1,838	1,696
27	Annual Revenue Requirement	$ 4,650	$ 4,508	$ 4,367	$ 4,225	$ 4,083	$ 3,942	$ 3,800	$ 3,658	$ 3,517	$ 3,375
28											
29											
30		**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**
31	**Storm Incremental O&M**										
32	Amortization expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
33	Return on Rate Base	-	-	-	-	-	-	-	-	-	-
34	**Storm Capital Investments**										
35	Depreciation expense	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
36	Return on Rate Base	1,554	1,413	1,271	1,129	988	846	704	563	421	279
37	Annual Revenue Requirement	$ 3,233	$ 3,092	$ 2,950	$ 2,808	$ 2,667	$ 2,525	$ 2,383	$ 2,242	$ 2,100	$ 1,958
38											
39											
40		**2059**									
41	**Storm Incremental O&M**										
42	Amortization expense	$ -									
43	Return on Rate Base	-									
44	**Storm Capital Investments**										
45	Depreciation expense	1,631									
46	Return on Rate Base	138									
47	Annual Revenue Requirement	$ 1,768									
48											
49	**Total Revenue Requirement - Traditional Recovery Model**										**$ 1,023,683**

Notes:
[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model, Duke Energy Progress used assumptions that were agreed upon in Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219. Refer to Abernathy Rebuttal Exhibit 2 pages 2-3.

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL

Updated Annual Revenue Requirement - Traditional Recovery Model - Incremental O&M

Line No.	Assumptions		Revenue Requirement			
1	Storm Incremental O&M (less normal amount)	**$ 556,556**	Deferral balance as of new rates effective date (after consideration of settlement terms)[1][2][3]			
2			Dist - Florence	348,474	Tran - Michael	458
3	Date of storm	Various	Dist - Michael	29,572	Tran - Diego	136
4	Date of rates effective in new rate case	Sept 1, 2020 [5]	Dist - Diego	30,686	Tran - Dorian	5,868
5	Date of securitization	June 1, 2021	Dist - Dorian	109,569	Prod - Florence	3,007
6			Tran - Florence	25,733	Gen - Florence	29
7	Pre Tax Weighted Average Cost of Capital [4]	8.4%				
8	Composite Tax Rate [4]	23.2%			TOTAL	$ 553,532
9	Net of Tax Weighted Average Cost of Capital [4]	6.5%				
10					Annual Amortization	$ 39,538
11						
12						
13						

Line No.		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
15	Amortization Expense		$ 13,179	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538
16											
17	Unamortized Balance at beginning of year	423,940	535,565	540,353	500,815	461,277	421,739	382,201	342,663	303,125	263,587
18	Deferred Tax on Unamortized Balance	(98,224)	(124,087)	(125,196)	(116,035)	(106,875)	(97,714)	(88,553)	(79,393)	(70,232)	(61,071)
19	Net Rate Base	325,716	411,479	415,157	384,779	354,402	324,025	293,647	263,270	232,893	202,515
20	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
21	Return on Rate Base	-	34,725	35,035	32,471	29,908	27,344	24,781	22,217	19,654	17,090
22											
23	Annual Revenue Requirement	$ -	$ 47,904	$ 74,573	$ 72,009	$ 69,446	$ 66,882	$ 64,319	$ 61,755	$ 59,192	$ 56,628
24											
25											

Line No.		2029	2030	2031	2032	2033	2034
27	Amortization Expense	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 39,538	$ 26,359
28							
29	Unamortized Balance at beginning of year	224,049	184,511	144,973	105,435	65,897	26,359
30	Deferred Tax on Unamortized Balance	(51,910)	(42,750)	(33,589)	(24,428)	(15,268)	(6,107)
31	Net Rate Base	172,138	141,761	111,383	81,006	50,629	20,252
32	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
33	Return on Rate Base	14,527	11,963	9,400	6,836	4,273	1,709
34							
35	Annual Revenue Requirement	$ 54,065	$ 51,501	$ 48,938	$ 46,374	$ 43,811	$ 28,068
36							
37	**Total Revenue Requirement - Traditional Recovery Model - Incremental O&M**						**$ 845,464**

Notes:

[1] Per Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219, for traditional storm cost recovery, 12 months of amortization for each Storm was expensed prior to the new rates going into effect.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219, for traditional storm cost recovery, no capital costs incurred due to the Storms during the 12-month period were included in the deferred balance. Carrying charges are accrued and deferred after the 12-month period until the date the costs are included in new rates.

[3] Per Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219, for traditional storm cost recovery, no carrying charges were accrued on the deferred balance during the 12-month period following the date(s) of the Storm(s). Carrying charges are accrued and deferred after the 12-month period until the date the costs are included in new rates.

[4] For purposes of the calculation, Duke Energy Progress has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-2 Sub 1219.

[5] Interim Rates effective 9/1/2020

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 2
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Traditional Recovery Model - Capital Investments

Line No.	Assumptions		Revenue Requirement		
1	Storm Capital Investments	**$ 68,637**	Annual Depreciation [3]		
2			Distribution	$	1,655
3	Date of storm	Various	Transmission		13
4	Date of rates effective in new rate case	Sept 1, 2020 [2]	General		11
5	Date of securitization	June 1, 2021	Total	$	1,679
6					
7	Pre Tax Weighted Average Cost of Capital [1]	8.4%			
8	Composite Tax Rate [1]	23.2%			
9					
10					
11					

12		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
13	Depreciation Expense	$ -	$ 560	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679
14											
15	Gross Plant at Beginning of the Year	61,182	68,239	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639
16	Accumulated Depreciation	(1,534)	(3,210)	(4,889)	(6,568)	(8,247)	(9,926)	(11,605)	(13,284)	(14,963)	(16,642)
17	Beginning Net Plant	61,182	66,706	65,429	63,750	62,071	60,392	58,713	57,035	55,356	53,677
18	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
19	Return on Rate Base	-	1,876	5,522	5,380	5,238	5,096	4,955	4,813	4,671	4,530
20											
21	Annual Revenue Requirement	$ -	$ 2,436	$ 7,200	$ 7,059	$ 6,917	$ 6,775	$ 6,634	$ 6,492	$ 6,350	$ 6,209
22											
23											

24		2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
25	Depreciation Expense	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679
26											
27	Gross Plant at Beginning of the Year	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639
28	Accumulated Depreciation	(18,321)	(19,999)	(21,678)	(23,357)	(25,036)	(26,715)	(28,394)	(30,073)	(31,752)	(33,431)
29	Beginning Net Plant	51,998	50,319	48,640	46,961	45,282	43,603	41,924	40,245	38,567	36,888
30	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
31	Return on Rate Base	4,388	4,246	4,105	3,963	3,821	3,680	3,538	3,396	3,255	3,113
32											
33	Annual Revenue Requirement	$ 6,067	$ 5,925	$ 5,784	$ 5,642	$ 5,500	$ 5,359	$ 5,217	$ 5,075	$ 4,934	$ 4,792
34											
35											

36		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
37	Depreciation Expense	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679
38											
39	Gross Plant at Beginning of the Year	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639
40	Accumulated Depreciation	(35,110)	(36,789)	(38,467)	(40,146)	(41,825)	(43,504)	(45,183)	(46,862)	(48,541)	(50,220)
41	Beginning Net Plant	35,209	33,530	31,851	30,172	28,493	26,814	25,135	23,456	21,777	20,099
42	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
43	Return on Rate Base	2,971	2,830	2,688	2,546	2,405	2,263	2,121	1,979	1,838	1,696
44											
45	Annual Revenue Requirement	$ 4,650	$ 4,508	$ 4,367	$ 4,225	$ 4,083	$ 3,942	$ 3,800	$ 3,658	$ 3,517	$ 3,375
46											
47											

48		2049	2050	2051	2052	2053	2054	2055	2056	2057	2058
49	Depreciation Expense	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679	$ 1,679
50											
51	Gross Plant at Beginning of the Year	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639	68,639
52	Accumulated Depreciation	(51,899)	(53,578)	(55,257)	(56,935)	(58,614)	(60,293)	(61,972)	(63,651)	(65,330)	(67,009)
53	Beginning Net Plant	18,420	16,741	15,062	13,383	11,704	10,025	8,346	6,667	4,988	3,309
54	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
55	Return on Rate Base	1,554	1,413	1,271	1,129	988	846	704	563	421	279
56											
57	Annual Revenue Requirement	$ 3,233	$ 3,092	$ 2,950	$ 2,808	$ 2,667	$ 2,525	$ 2,383	$ 2,242	$ 2,100	$ 1,958
58											

59		2059
60	Depreciation Expense	$ 1,631
61		
62	Gross Plant at Beginning of the Year	68,639
63	Accumulated Depreciation	(68,639)
64	Beginning Net Plant	1,631
65	Pre Tax Weighted Average Cost of Capital %	8.4%
66	Return on Rate Base	138
67		
68	Annual Revenue Requirement	$ 1,768
69		
70		
71		
72	**Total Revenue Requirement - Traditional Recovery Model - Capital Investments**	**$ 178,218**

Notes:

[1] For purposes of the calculation, Duke Energy Progress has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-2 Sub 1219.

[2] Interim Rates effective 9/1/20

[3] Annual depreciation calculated using current depreciation rates from E-2, Sub 1142.

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 3
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Storm Recovery Charge Model - 15-year bond term

Line No.	Assumptions		Revenue Requirement	
1	Total Storm Recovery Costs as calculated for Filing	**$ 225,570** [1]	Total Storm Recovery Deferral as calculated for Filing	$ 225,570
2			Upfront financing costs for securitization [3]	5,230
3	Date of storm	Various	Amount to securitize	$ 230,800
4	Date of rates effective in new rate case	Sept 1, 2020 [6]		
5	Date of securitization	June 1, 2021	Deferral Amount at securitization date (excludes capital investments)	$ 212,225
6				
7	Pre Tax Weighted Average Cost of Capital [4]	8.6%	Annual Amort of Deferred Costs	$ 14,148
8	Composite Tax Rate [4]	23.4%		
9	Net of Tax Weighted Average Cost of Capital [4]	6.6%		
10				
11				
12				

Line No.		2020 [2]	2021	2022	2023	2024	2025	2026	2027	2028
14	Storm recovery bond payment [5]		$ 10,289	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 17,638
15	Ongoing financing costs [3]		254	435	435	435	435	435	435	435
16	Storm recovery charge	-	10,543	18,073	18,073	18,073	18,073	18,073	18,073	18,073
17										
18	Unrecovered Storm Deferral as of beginning of year	186,367	206,826	203,972	189,823	175,675	161,527	147,378	133,230	119,082
19	ADIT	(43,517)	(48,294)	(47,628)	(44,324)	(41,021)	(37,717)	(34,413)	(31,110)	(27,806)
20	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
21	Return on ADIT in rate base	(1,242)	(4,135)	(4,078)	(3,795)	(3,512)	(3,229)	(2,947)	(2,664)	(2,381)
22	Annual Revenue Requirement	$ (1,242)	$ 6,407	$ 13,995	$ 14,278	$ 14,561	$ 14,844	$ 15,126	$ 15,409	$ 15,692
23										
24										

Line No.		2029	2030	2031	2032	2033	2034	2035	2036
26	Storm recovery bond payment [5]	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 17,638	$ 12,494	$ 3,675
27	Ongoing financing costs [3]	435	435	435	435	435	435	308	91
28	Storm recovery charge	18,073	18,073	18,073	18,073	18,073	18,073	12,802	3,765
29									
30	Unrecovered storm incremental O&M	104,933	90,785	76,637	62,488	48,340	34,192	20,043	5,895
31	ADIT	(24,502)	(21,199)	(17,895)	(14,591)	(11,288)	(7,984)	(4,680)	(1,377)
32	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
33	Return on ADIT in rate base	(2,098)	(1,815)	(1,532)	(1,249)	(966)	(684)	(401)	(118)
34	Annual Revenue Requirement	$ 15,975	$ 16,258	$ 16,541	$ 16,824	$ 17,107	$ 17,389	$ 12,401	$ 3,647
35									
36									
37	**Total Revenue Requirement - Storm Recovery Charge Model**								**$ 225,212**

Notes:

[1] Represents Storm Recovery Costs per Abernathy Exhibit 2. Rebuttal Exhibits represent calculations from filing which incorporate actual dates of the storms and the actual date of securitization.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214, for securitization, the imposition of the Storm recovery charge begins nine months after the new rates go into effect. In this scenario, interim rates went into effect August 24, 2020 and securitization is expected to be finalized June 1, 2020 which is nine months.

[3] Upfront financing fees and on-going financing costs are estimates as of the petition date. Details of the estimates are outlined in Heath Exhibit 1.

[4] For purposes of the calculation, Duke Energy Carolinas has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-7 Sub 1214.

[5] Per DEC Abernathy Exhibit 4 as filed in Direct Testimony.

[6] Interim Rates effective 8/24/2020 for DEC - for purposes of this calculation will use 9/1/2020

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 3
Storm Securitization
NORTH CAROLINA RETAIL
Updated Annual Revenue Requirement - Storm Recovery Charge Model - 15-year bond term

Line No.	Assumptions		Revenue Requirement	
1	Total Storm Recovery Deferral as calculated for Filing	**$ 739,008** [1]	Total Storm Recovery Deferral as calculated for Filing	$ 739,008
2			Upfront financing costs for securitization [3]	8,992
3	Date of storm	Various	Amount to securitize	$ 748,000
4	Date of rates effective in new rate case	Sept 1, 2020 [6]		
5	Date of securitization	June 1, 2020	Deferral Amount at securitization date (excludes capital investments)	$ 679,363
6				
7	Pre Tax Weighted Average Cost of Capital [4]	8.4%	Annual Amortization of Deferred Costs	$ 45,291
8	Composite Tax Rate [4]	23.2%		
9	Net of Tax Weighted Average Cost of Capital [4]	6.5%		
10				
11				
12				

Line No.		2020 [2]	2021	2022	2023	2024	2025	2026	2027	2028
14	Storm recovery bond payment [5]		$ 33,346	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 57,164
15	Ongoing financing costs [3]		528	905	905	905	905	905	905	905
16	Storm recovery charge	-	33,874	58,069	58,069	58,069	58,069	58,069	58,069	58,069
17										
18	Unrecovered storm incremental O&M	604,282	662,301	652,943	607,652	562,361	517,070	471,780	426,489	381,198
19	ADIT	(140,008)	(153,451)	(151,282)	(140,789)	(130,295)	(119,802)	(109,308)	(98,814)	(88,321)
20	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
21	Return on ADIT in rate base	(3,938)	(12,950)	(12,767)	(11,881)	(10,996)	(10,110)	(9,224)	(8,339)	(7,453)
22	Annual Revenue Requirement	$ (3,938)	$ 20,924	$ 45,302	$ 46,188	$ 47,073	$ 47,959	$ 48,844	$ 49,730	$ 50,616
23										
24										

Line No.		2029	2030	2031	2032	2033	2034	2035	2036
26	Storm recovery bond payment [5]	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 57,164	$ 40,491	$ 11,909
27	Ongoing financing costs [3]	905	905	905	905	905	905	641	189
28	Storm recovery charge	58,069	58,069	58,069	58,069	58,069	58,069	41,132	12,098
29									
30	Unrecovered storm incremental O&M	335,907	290,616	245,325	200,035	154,744	109,453	64,162	18,871
31	ADIT	(77,827)	(67,334)	(56,840)	(46,347)	(35,853)	(25,359)	(14,866)	(4,372)
32	Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
33	Return on ADIT in rate base	(6,568)	(5,682)	(4,797)	(3,911)	(3,026)	(2,140)	(1,255)	(277)
34	Annual Revenue Requirement	$ 51,501	$ 52,387	$ 53,272	$ 54,158	$ 55,043	$ 55,929	$ 39,878	$ 11,821
35									
36									
37	**Total Revenue Requirement - Storm Recovery Charge Model**								**$ 726,686**

Notes:

[1] Represents Storm Recovery Costs per Abernathy Exhibit 2. Rebuttal Exhibits represent calculations from filing which incorporate actual dates of the storms and the actual date of securitization.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219, for securitization, the imposition of the Storm recovery charge begins nine months after the new rates go into effect. In this scenario, interim rates went into effect September 1, 2020 and securitization is expected to be finalized June 1, 2020 which is nine months.

[3] Upfront financing fees and on-going financing costs are estimates as of the petition date. Details of the estimates are outlined in Heath Exhibit 1.

[4] For purposes of the calculation, Duke Energy Progress has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-2 Sub 1219.

[5] Per DEP Abernathy Exhibit 4

[6] Interim rates effective 9/1/2020 for Duke Energy Progress

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 4
Storm Securitization
NORTH CAROLINA RETAIL
Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers - 20-year bond term

ANNUAL REVENUE REQUIREMENT

Line No.											
1		**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
2	Storm Recovery Charge Model [1]	(1,242)	4,452	10,601	10,813	11,026	11,238	11,450	11,662	11,874	12,086
3	Traditional Recovery Model [1]	8,262	25,069	24,234	23,398	22,562	21,727	20,891	20,056	19,220	18,385
4											
5											
6		**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**
7	Storm Recovery Charge Model [1]	12,299	12,511	12,723	12,935	13,147	13,359	13,571	13,784	13,996	14,208
8	Traditional Recovery Model [1]	17,549	16,714	15,878	15,042	10,141	1,439	1,404	1,370	1,335	1,300
9											
10											
11		**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**
12	Storm Recovery Charge Model [1]	10,127	2,978	-	-	-	-	-	-	-	-
13	Traditional Recovery Model [1]	1,265	1,230	1,195	1,160	1,125	1,090	1,055	1,020	985	950
14											
15											
16		**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**
17	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-
18	Traditional Recovery Model [1]	915	880	845	810	775	740	705	670	635	601
19											
20											
21		**2060**	**2061**	**2062**	**2063**	**2064**	**Total**				
22	Storm Recovery Charge Model [1]	-	-	-	-	-	239,598				
23	Traditional Recovery Model [1]	566	531	496	461	221	306,901				
24											
25											
26											
27											

Line No.		Net Present Value [2]	Nominal Value	Net of Tax Weighted Average Cost of Capital
28				
29	Storm Recovery Charge Model [1]	$ 116,341	$ 239,598	6.56%
30	Traditional Recovery Model [1]	184,277	306,901	
31				
32	Relative cost (benefit) of securitization	(67,936)		
33	% savings to customers	-36.9%		

Notes:

[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model, Duke Energy Carolinas used assumptions that were agreed upon in the Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214. Refer to Abernathy Rebuttal Exhibit 2. Amounts calcuated under the Storm Recovery Model represent the actual expected cash flows of the storm recovery charge for a 20-year bond period. Refer to Abernathy Rebuttal Exhibit 5.

[2] For the purposes of calculating net present value, Duke Energy Carolinas used the agreed upon WACC rate per the Public Staff Second Settlement and Stipulation in Docket No. E-7 Sub 1214.

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 4
Storm Securitization
NORTH CAROLINA RETAIL

Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers - 20-year bond term

ANNUAL REVENUE REQUIREMENT

Line No.												
1		**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
2	Storm Recovery Charge Model [1]	(3,938)	14,586	34,309	34,973	35,637	36,301	36,965	37,629	38,294	38,958	
3	Traditional Recovery Model [1]	50,340	81,773	79,068	76,363	73,658	70,953	68,247	65,542	62,837	60,132	
4												
5												
6		**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	
7	Storm Recovery Charge Model [1]	39,622	40,286	40,950	41,614	42,279	42,943	43,607	44,271	44,935	45,599	
8	Traditional Recovery Model [1]	57,426	54,721	52,016	49,311	33,426	5,217	5,075	4,934	4,792	4,650	
9												
10												
11		**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	
12	Storm Recovery Charge Model [1]	32,496	9,558	-	-	-	-	-	-	-	-	
13	Traditional Recovery Model [1]	4,508	4,367	4,225	4,083	3,942	3,800	3,658	3,517	3,375	3,233	
14												
15												
16		**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**	**2058**	**2059**	**Total**
17	Storm Recovery Charge Model [1]	-	-	-	-	-	-	-	-	-	-	771,873
18	Traditional Recovery Model [1]	3,092	2,950	2,808	2,667	2,525	2,383	2,242	2,100	1,958	1,768	1,023,683
19												
20												

Line No.		Net Present Value [2]	Nominal Value	Net of Tax Weighted Average Cost of Capital
21				
22	Storm Recovery Charge Model [1]	$ 378,167	$ 771,873	6.5%
23	Traditional Recovery Model [1]	628,001	1,023,683	
24				
25	Relative cost (benefit) of securitization	(249,834)		
26	% savings to customers	-39.8%		

Notes:

[1] For purposes of calculating the annual revenue requirement under the Traditional Recovery Model and the Storm Recovery Bonds Model, Duke Energy Progress used assumptions that were agreed upon in Public Staff Partial Settlement and Stipulation in Docket No. E-2 Sub 1219. Refer to Abernathy Rebuttal Exhibit 2. Amounts calcuated under the Storm Recovery Model represent the actual expected cash flows of the storm recovery charge for a 20-year bond period. Refer to Abernathy Rebuttal Exhibit 5.

[2] For the purposes of calculating net present value, Duke Energy Progress used the agreed upon WACC rate per the Public Staff Second Settlement and Stipulation in Docket No. E-2 Sub 1219.

Duke Energy Carolinas, LLC
Docket No. E-7 Sub 1243
Abernathy Rebuttal Exhibit 5
Storm Securitization
NORTH CAROLINA RETAIL
Annual Revenue Requirement - Storm Recovery Charge Model - 20-year bond term

Line No.	Assumptions		Revenue Requirement	
1	Total Storm Recovery Costs as calculated for Filing	**$ 225,570** [1]	Total Storm Recovery Deferral as calculated for Filing	$ 225,570
2			Upfront financing costs for securitization [3]	5,230
3	Date of storm	Various	Amount to securitize	$ 230,800
4	Date of rates effective in new rate case	Sept 1, 2020 [6]		
5	Date of securitization	June 1, 2021	Deferral Amt at securitization date (excludes capital)	$ 212,225
6				
7	Pre Tax Weighted Average Cost of Capital [4]	8.6%	Annual Amort of Deferred Costs	$ 10,611
8	Composite Tax Rate [4]	23.4%		
9	Net of Tax Weighted Average Cost of Capital [4]	6.6%		
10				
11				
12				

Line No.		2020 [2]	2021	2022	2023	2024	2025	2026	2027
13									
14	Storm recovery bond payment [5]		$ 8,327	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275
15	Ongoing financing costs [3]		260	446	446	446	446	446	446
16	Storm recovery charge	-	8,587	14,721	14,721	14,721	14,721	14,721	14,721
17									
18	Unrecovered Storm Deferral as of beginning of year	186,367	206,826	206,035	195,424	184,812	174,201	163,590	152,979
19	ADIT	(43,517)	(48,294)	(48,110)	(45,632)	(43,154)	(40,676)	(38,199)	(35,721)
20	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
21	Return on ADIT in rate base	(1,242)	(4,135)	(4,119)	(3,907)	(3,695)	(3,483)	(3,271)	(3,059)
22	Annual Revenue Requirement	$ (1,242)	$ 4,452	$ 10,601	$ 10,813	$ 11,026	$ 11,238	$ 11,450	$ 11,662
23									
24									

Line No.		2028	2029	2030	2031	2032	2033	2034	2035
25									
26	Storm recovery bond payment [5]	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 14,275
27	Ongoing financing costs [3]	446	446	446	446	446	446	446	446
28	Storm recovery charge	14,721	14,721	14,721	14,721	14,721	14,721	14,721	14,721
29									
30	Unrecovered storm incremental O&M	142,367	131,756	121,145	110,534	99,923	89,311	78,700	68,089
31	ADIT	(33,243)	(30,765)	(28,288)	(25,810)	(23,332)	(20,854)	(18,377)	(15,899)
32	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
33	Return on ADIT in rate base	(2,846)	(2,634)	(2,422)	(2,210)	(1,998)	(1,786)	(1,573)	(1,361)
34	Annual Revenue Requirement	$ 11,874	$ 12,086	$ 12,299	$ 12,511	$ 12,723	$ 12,935	$ 13,147	$ 13,359
35									
36									

Line No.		2036	2037	2038	2039	2040	2041
37							
38	Storm recovery bond payment [5]	$ 14,275	$ 14,275	$ 14,275	$ 14,275	$ 10,111	$ 2,974
39	Ongoing financing costs [3]	446	446	446	446	316	93
40	Storm recovery charge	14,721	14,721	14,721	14,721	10,427	3,067
41							
42	Unrecovered storm incremental O&M	57,478	46,866	36,255	25,644	15,033	4,421
43	ADIT	(13,421)	(10,943)	(8,466)	(5,988)	(3,510)	(1,032)
44	Pre Tax Weighted Average Cost of Capital %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
45	Return on ADIT in rate base	(1,149)	(937)	(725)	(513)	(301)	(88)
46	Annual Revenue Requirement	$ 13,571	$ 13,784	$ 13,996	$ 14,208	$ 10,127	$ 2,978
47							
48							

Line No.		
49	**Total Revenue Requirement - Storm Recovery Charge Model - Incremental O&M**	**$ 239,598**

Notes:

[1] Represents Storm Recovery Costs per Abernathy Exhibit 2. Rebuttal Exhibits represent calculations from filing which incorporate actual dates of the storms and the actual date of securitization.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-7 Sub 1214, for securitization, the imposition of the Storm recovery charge begins nine months after the new rates go into effect. In this scenario, interim rates went into effect August 24, 2020 and securitization is expected to be finalized June 1, 2020 which is nine months.

[3] Upfront financing fees and on-going financing costs are estimates as of the petition date. The source of the fees is Atkins Rebuttal Exhibit 1.

[4] For purposes of the calculation, Duke Energy Carolinas has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-7 Sub 1214.

[5] Per DEC Atkins Rebuttal Exhibit 1

[6] Interim Rates effective 8/24/2020 for DEC - for purposes of this calculation will use 9/1/2020

Duke Energy Progress, LLC
Docket No. E-2 Sub 1262
Abernathy Rebuttal Exhibit 5
Storm Securitization
NORTH CAROLINA RETAIL
Annual Revenue Requirement - Storm Recovery Charge Model - 20-year bond term

Assumptions	
Total Storm Recovery Deferral as calculated for Filing	**$ 739,008** [1]
Date of storm	Various
Date of rates effective in new rate case	Sept 1, 2020 [6]
Date of securitization	June 1, 2020
Pre Tax Weighted Average Cost of Capital [4]	8.4%
Composite Tax Rate [4]	23.2%
Net of Tax Weighted Average Cost of Capital [4]	6.5%

Revenue Requirement	
Total Storm Recovery Deferral as calculated for Filing	$ 739,008
Upfront financing costs for securitization [3]	8,992
Amount to securitize	$ 748,000
Amounts in Deferral Account	679,363
Annual Amort of Deferred Costs	$ 33,968

	2020 [2]	2021	2022	2023	2024	2025	2026	2027
Storm recovery bond payment [5]		$ 26,987	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264
Ongoing financing costs [3]		549	941	941	941	941	941	941
Storm recovery charge	-	27,536	47,204	47,204	47,204	47,204	47,204	47,204
Unrecovered storm incremental O&M	604,282	662,301	659,548	625,580	591,612	557,643	523,675	489,707
ADIT	(140,008)	(153,451)	(152,813)	(144,942)	(137,072)	(129,202)	(121,332)	(113,462)
Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Return on ADIT in rate base	(3,938)	(12,950)	(12,896)	(12,232)	(11,567)	(10,903)	(10,239)	(9,575)
Annual Revenue Requirement	$ (3,938)	$ 14,586	$ 34,309	$ 34,973	$ 35,637	$ 36,301	$ 36,965	$ 37,629

	2028	2029	2030	2031	2032	2033	2034	2035
Storm recovery bond payment [5]	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 46,264
Ongoing financing costs [3]	941	941	941	941	941	941	941	941
Storm recovery charge	47,204	47,204	47,204	47,204	47,204	47,204	47,204	47,204
Unrecovered storm incremental O&M	455,739	421,771	387,803	353,835	319,867	285,898	251,930	217,962
ADIT	(105,592)	(97,721)	(89,851)	(81,981)	(74,111)	(66,241)	(58,370)	(50,500)
Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Return on ADIT in rate base	(8,911)	(8,247)	(7,583)	(6,918)	(6,254)	(5,590)	(4,926)	(4,262)
Annual Revenue Requirement	$ 38,294	$ 38,958	$ 39,622	$ 40,286	$ 40,950	$ 41,614	$ 42,279	$ 42,943

	2036	2037	2038	2039	2040	2041
Storm recovery bond payment [5]	$ 46,264	$ 46,264	$ 46,264	$ 46,264	$ 32,770	$ 9,638
Ongoing financing costs [3]	941	941	941	941	666	196
Storm recovery charge	47,204	47,204	47,204	47,204	33,436	9,834
Unrecovered storm incremental O&M	183,994	150,026	116,058	82,090	48,122	14,153
ADIT	(42,630)	(34,760)	(26,890)	(19,020)	(11,149)	(3,279)
Pre Tax Weighted Average Cost of Capital %	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Return on ADIT in rate base	(3,598)	(2,933)	(2,269)	(1,605)	(941)	(277)
Annual Revenue Requirement	$ 43,607	$ 44,271	$ 44,935	$ 45,599	$ 32,496	$ 9,558

Total Revenue Requirement - Storm Recovery Charge Model - Incremental O&M	**$ 771,873**

Notes:

[1] Represents Storm Recovery Costs per Abernathy Exhibit 2. Rebuttal Exhibits represent calculations from filing which incorporate actual dates of the storms and the actual date of securitization.

[2] Per Public Staff Partial Settlement and Stipulation in Docket No. E-2Sub 1219, for securitization, the imposition of the Storm recovery charge begins nine months after the new rates go into effect. In this scenario, interim rates went into effect August 24, 2020 and securitization is expected to be finalized June 1, 2020 which is nine months.

[3] Upfront financing fees and on-going financing costs are estimates as of the petition date. Souce of the fees is Atkins Rebuttal Exhibit 1.

[4] For purposes of the calculation, Duke Energy Progress has used the WACC agreed to in the Public Staff Second Partial Settlement and Stipulation in in Docket No. E-2 Sub 1219.

[5] Per DEP Atikins Rebuttal Exhibit 1