NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

November 18, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Public Staff Letter – Docket Nos. E-2, Sub 1262 and E-7, Sub 1243 Joint Petition for Financing Orders (Joint Petition) by Duke Energy Carolinas, LLC (DEC) and Duke Energy Progress, LLC (DEP, together with DEC, the Companies)

Dear Clerk Dunston:

Pursuant to the Commission's Financing Orders issued in the above-referenced dockets, the Public Staff has participated in Bond Advisory Team meetings and communications, which began on May 27, 2021.

As a member of the Bond Advisory Team over the past six months, the Public Staff has actively participated in Bond Advisory Team meetings and continued to advocate for the "Best Practices" recommended by its consultant Saber Partners in these dockets, many of which were incorporated into the Commission's Financing Orders for the first securitization transactions in North Carolina authorized by N.C. Gen. Stat. § 62-172.

The Public Staff believes that the incorporation of additional Best Practices will benefit ratepayers in future transactions. We believe that incentive-based compensation, as opposed to fixed fees, for lead underwriters, and possibly the increased incorporation of co-managers will take on greater importance in future transactions.

Also, with the experience obtained in these first transactions it is hoped that more efficient issuances in the future will limit the Companies' carrying costs borne by ratepayers and allow for issuances to occur before potential competing

NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

transactions.[1] Efficiencies can also be achieved early in the process by hiring an independent structuring and financial modeler and involving rating agencies sooner. A modeler independent of underwriters can additionally help achieve tighter spreads for the benefit of ratepayers. [2]

While the Public Staff has not attained all outcomes it has sought during this process, nor is anyone privy to perfect information, the Public Staff has worked for the best outcome, recognizing that issuing bonds to investors in the present low-interest-rate environment is a far superior outcome for ratepayers than the higher weighted average cost of capital to which the Companies would otherwise be entitled.

Based on information available to us and recognizing that practices will be refined in future transactions, the Public Staff believes that this outcome will likely result in the lowest Storm Recovery Charges for DEC and DEP ratepayers consistent with market conditions at the time the Storm Recovery Bonds were priced and is consistent with the terms set forth in the Financing Orders. Accordingly, the Public Staff recommends that the transactions proceed.

Sincerely,

Electronically submitted
/s/ John R. Hinton, Director
Economic Research Division
bob.hinton@psncuc.nc.gov

cc: Christopher J. Ayers, Executive Director
Dianna W. Downey, Chief Counsel
William E. H. Creech, Staff Attorney

---

[1] Such as the recent Pacific Gas & Electric (PG&E) securitization of wildfire mitigation costs as well as the uptick in utility issuances that commonly follows the recent Edison Electric Institute (EEI) conference.
[2] Docket Nos. E-2, Sub 1262 and E-7, Sub 1243, T. Vol. 3, pp. 167-168.