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November 18, 2021

VIA ELECTRONIC FILING

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

**RE: DEC Issuance Advice Letter
Docket No. E-7, Sub 1243**

Dear Ms. Dunston:

Enclosed for filing in the above-referenced docket, please find Duke Energy Carolinas, LLC's *Issuance Advice Letter*.

If you have any questions, please do not hesitate to contact me. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

Jack E. Jirak

Enclosure

cc: Parties of Record

OFFICIAL COPY

Nov 18 2021

Issuance Advice Letter



November 18, 2021

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston
Office of the Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4335

Re: Duke Energy Carolinas, LLC's Issuance Advice Letter
Docket No. E-7, Sub 1243

Dear Clerk Dunston:

Pursuant to the financing order in the above-captioned docket ("Financing Order"), Duke Energy Carolinas, LLC (the "Company") hereby transmits for filing this combined Issuance Advice Letter and Form of True-up Adjustment Letter. Any terms not defined herein shall have the meanings ascribed thereto in the Financing Order or N.C. Gen. Stat. § 62-172.

In the Financing Order, the Commission requires the Company to file an Issuance Advice Letter following pricing of a series of Storm Recovery Bonds.

The terms of pricing and issuance of the first series of Storm Recovery Bonds are as follows:

Name of Storm Recovery Bonds: Senior Secured Series A Storm Recovery Bonds
Name of SPE: Duke Energy Carolinas NC Storm Funding LLC
Name of Storm Recovery Bond Indenture Trustee: The Bank of New York Mellon Trust Company, National Association
Expected Closing Date: November 24, 2021
Preliminary Bond Ratings: Moody's, Aaa(sf); Standard & Poor's, AAA(sf) (final ratings to be received prior to closing)
Total Principal Amount of Storm Recovery Bonds to be Issued (i.e., Amount of Storm Recovery Costs and up-front Financing Costs to be Financed): \$237,210,000 (See Attachment 1)
Estimated up-front Financing Costs: \$4,365,200 (See Attachment 2)
Interest Rates and Expected Amortization Schedules of the Storm Recovery Bonds (See Attachment 3):
Distributions to Investors: Semi-annually

Weighted Average Coupon Rate¹: 2.407%
Annualized Weighted Average Yield²: 2.438%
Initial Balance of capital subaccount: \$1,186,050
Estimated/Actual ongoing Financing Costs for first year of Storm Recovery Bonds:
\$398,095 (See Attachment 4)

The Financing Order requires the Company to confirm, using the methodology approved therein, that the actual terms of the Storm Recovery Bonds result in compliance with the Financing Order. The Company certifies that the following are true:

1. the issuance of Storm Recovery Bonds and imposition and collection of Storm Recovery Charges as authorized in this Financing Order provide quantifiable benefits to customers as compared to the costs that would have been incurred absent the issuance of Storm Recovery Bonds;
2. the aggregate principal amount of Storm Recovery Bonds issued does not exceed the Securitized Balance;
3. the Storm Recovery Bonds will be issued in one series comprised of one or more tranches having target final payment of 20 years;
4. the Storm Recovery Bonds have received a rating of Aaa(sf) / AAA(sf) from at least two of the three major rating agencies;
5. the Storm Recovery Bonds are structured to achieve substantially level debt service payments on an annual basis;
6. the issuance of the Storm Recovery Bonds has been structured in accordance with IRS Rev. Proc. 2005-62; and
7. the structuring, marketing, and pricing of the Storm Recovery Bonds resulted in the lowest Storm Recovery Charges consistent with market conditions at the time the Storm Recovery Bonds are priced and the terms set forth in this Financing Order.

The initial storm recovery charge (the “Initial Charge”) has been calculated in accordance with the methodology described in the Financing Order and based upon the structuring and pricing terms of the Storm Recovery Bonds set forth in this combined Issuance Advice Letter and Form of True-up Adjustment Letter.

Attachment 5 provides the Revenue Requirements for calculating the Initial Charge. Attachment 6 calculates the Initial Charge based upon the cost allocation formula approved in the Financing Order. Attachment 7 is a comparison between the net present value of costs to customers that are estimated to result from the issuance of Storm Recovery Bonds and the costs that would result from the application of the traditional method of recovering Storm Recovery Costs from

¹ Weighted by modified duration and principal amount of each tranche.

² Weighted by modified duration and principal amount, calculated including selling commissions.

customers. Also attached are the calculations and supporting data for such tables. The Company's certification is Attachment 8.

Pursuant to the Financing Order, the transaction may proceed and the Initial Charge will take effect unless **a stop order is issued by the Commission prior to noon on November 22, 2021 (3 business days after pricing)**; and the Company, as servicer, or any successor servicer and on behalf of the indenture trustee as assignee of the SPE, is required to apply at least semi-annually for mandatory periodic adjustment to the Storm Recovery Charges. The Initial Charge shall remain in effect until changed in accordance with the provisions of Ordering Paragraph 18 of the Financing Order.

The Company's certification required by the Financing Order is set forth in Attachment 8, which also includes the statement of the actions taken by the Company to achieve the Statutory Cost Objectives as required by the Financing Order.

Respectfully submitted,

Duke Energy Carolinas, LLC

Attachment 1

**TOTAL PRINCIPAL AMOUNT OF STORM RECOVERY BONDS TO BE ISSUED
(TOTAL AMOUNT OF STORM RECOVERY COSTS AND UP-FRONT FINANCING
COSTS TO BE FINANCED)**

Storm Recovery Costs, as of May 31, 2021	\$ 225,569,947
Additional Carrying Charges through the date of pricing	7,295,073
Estimated Up-front Financing Costs included in Bond Structure (refer to attachment 2)	4,344,980
Total Storm Recovery Bond Issuance (rounded up)	\$ 237,210,000

Attachment 2

ESTIMATED UP-FRONT FINANCING COSTS

Underwriters' Fees and Expenses	\$ 948,840
Servicer Set-up Fee (including IT Programming Costs)	64,936
Legal Fees	2,000,000
Rating Agency Fees	311,396
Public Staff Financial Advisor Fees	325,723
Commission Financial Advisor Fee	75,000
Commission Legal Fees	13,113
DEC Structuring Advisor Fee	351,201
Accounting Fees	115,000
SEC Fees	25,877
SPE Set-up Fee	3,500
Marketing and Miscellaneous Fees and Expenses	17,500
Printing / Edgarizing Expenses	75,000
Indenture Trustee/Indenture Trustee Counsel Fee and Expenses	34,400
Original Issue Discount	3,714
Other Ancillary Agreements	-
TOTAL ESTIMATED UP-FRONT FINANCING COSTS	\$ 4,365,200
Estimated Up-front Financing Costs included in Bond Structure	4,344,980
ESTIMATE OF AMOUNT TO BE RECORDED AS REGULATORY ASSET (LIABILITY) AT DEC	\$ 20,220

Attachment 3**EXPECTED AMORTIZATION SCHEDULE****A. General Terms**

Tranche	Principal Amount	Coupon	Fixed/ Floating	Average Life	Schedule Final Payment Date	Legal Final Maturity
A-1	\$100,000,000	1.679%	Fixed	5.1	7/1/2031	7/1/2033
A-2	\$137,210,000	2.617%	Fixed	15.0	7/1/2041	7/1/2043

B. Scheduled Amortization Requirement of Storm Recovery Bonds

Series A, Tranche A-1					
Payment Date	Beginning Principal Balance	Interest	Principal	Total Payment	Ending Principal Balance
July 1, 2022	\$100,000,000	\$1,012,064	\$4,538,012	\$5,550,076	\$95,461,988
January 1, 2023	\$95,461,988	\$801,403	\$5,109,504	\$5,910,908	\$90,352,484
July 1, 2023	\$90,352,484	\$758,509	\$5,150,151	\$5,908,660	\$85,202,333
January 1, 2024	\$85,202,333	\$715,274	\$5,191,120	\$5,906,394	\$80,011,213
July 1, 2024	\$80,011,213	\$671,694	\$5,232,416	\$5,904,110	\$74,778,797
January 1, 2025	\$74,778,797	\$627,768	\$5,274,039	\$5,901,807	\$69,504,758
July 1, 2025	\$69,504,758	\$583,492	\$5,315,995	\$5,899,487	\$64,188,763
January 1, 2026	\$64,188,763	\$538,865	\$5,358,283	\$5,897,148	\$58,830,480
July 1, 2026	\$58,830,480	\$493,882	\$5,400,908	\$5,894,790	\$53,429,572
January 1, 2027	\$53,429,572	\$448,541	\$5,443,872	\$5,892,414	\$47,985,700
July 1, 2027	\$47,985,700	\$402,840	\$5,487,179	\$5,890,018	\$42,498,521
January 1, 2028	\$42,498,521	\$356,775	\$5,530,829	\$5,887,604	\$36,967,692
July 1, 2028	\$36,967,692	\$310,344	\$5,574,827	\$5,885,170	\$31,392,865
January 1, 2029	\$31,392,865	\$263,543	\$5,619,174	\$5,882,718	\$25,773,691
July 1, 2029	\$25,773,691	\$216,370	\$5,663,875	\$5,880,245	\$20,109,816

January 1, 2030	\$20,109,816	\$168,822	\$5,708,931	\$5,877,753	\$14,400,885
July 1, 2030	\$14,400,885	\$120,895	\$5,754,346	\$5,875,241	\$8,646,539
January 1, 2031	\$8,646,539	\$72,588	\$5,800,121	\$5,872,709	\$2,846,418
July 1, 2031	\$2,846,418	\$23,896	\$2,846,418	\$2,870,313	\$0

Series A, Tranche A-2					
Payment Date	Beginning Principal Balance	Interest	Principal	Total Payment	Ending Principal Balance
July 1, 2022	\$137,210,000	\$2,164,446	\$0	\$2,164,446	\$137,210,000
January 1, 2023	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2023	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2024	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2024	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2025	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2025	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2026	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2026	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2027	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2027	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2028	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2028	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2029	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2029	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2030	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2030	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
January 1, 2031	\$137,210,000	\$1,795,393	\$0	\$1,795,393	\$137,210,000
July 1, 2031	\$137,210,000	\$1,795,393	\$2,999,844	\$4,795,237	\$134,210,156
January 1, 2032	\$134,210,156	\$1,756,140	\$5,908,457	\$7,664,598	\$128,301,699
July 1, 2032	\$128,301,699	\$1,678,828	\$5,986,361	\$7,665,188	\$122,315,338
January 1, 2033	\$122,315,338	\$1,600,496	\$6,065,291	\$7,665,787	\$116,250,047
July 1, 2033	\$116,250,047	\$1,521,132	\$6,145,262	\$7,666,394	\$110,104,785
January 1, 2034	\$110,104,785	\$1,440,721	\$6,226,287	\$7,667,008	\$103,878,498
July 1, 2034	\$103,878,498	\$1,359,250	\$6,308,380	\$7,667,631	\$97,570,118
January 1, 2035	\$97,570,118	\$1,276,705	\$6,391,557	\$7,668,262	\$91,178,561
July 1, 2035	\$91,178,561	\$1,193,071	\$6,475,829	\$7,668,901	\$84,702,732
January 1, 2036	\$84,702,732	\$1,108,335	\$6,561,213	\$7,669,548	\$78,141,519
July 1, 2036	\$78,141,519	\$1,022,482	\$6,647,723	\$7,670,204	\$71,493,796
January 1, 2037	\$71,493,796	\$935,496	\$6,735,373	\$7,670,869	\$64,758,423
July 1, 2037	\$64,758,423	\$847,364	\$6,824,178	\$7,671,543	\$57,934,245
January 1, 2038	\$57,934,245	\$758,070	\$6,914,156	\$7,672,225	\$51,020,089
July 1, 2038	\$51,020,089	\$667,598	\$7,005,319	\$7,672,917	\$44,014,770
January 1, 2039	\$44,014,770	\$575,933	\$7,097,683	\$7,673,617	\$36,917,087
July 1, 2039	\$36,917,087	\$483,060	\$7,191,267	\$7,674,327	\$29,725,820
January 1, 2040	\$29,725,820	\$388,962	\$7,286,084	\$7,675,046	\$22,439,736
July 1, 2040	\$22,439,736	\$293,624	\$7,382,150	\$7,675,775	\$15,057,586
January 1, 2041	\$15,057,586	\$197,029	\$7,479,485	\$7,676,513	\$7,578,101
July 1, 2041	\$7,578,101	\$99,159	\$7,578,101	\$7,677,261	\$0

Attachment 4**ESTIMATED ANNUAL ONGOING FINANCING COSTS**

	Annual Amount
Servicing Fee ¹	\$ 118,605
Return on Invested Capital	31,039
Administration Fee	50,000
Accounting Fees	100,000
Regulatory Assessment Fees	20,551
Legal Fees	10,000
Rating Agency Surveillance Fees	47,500
Indenture Trustee Fees	14,400
Independent Manager Fees	3,500
Miscellaneous Fees and Expenses	2,500
TOTAL ESTIMATED ANNUAL ONGOING FINANCING COSTS	\$ 398,095
Alternative Servicing Fee ²	1,423,260
TOTAL ESTIMATED ANNUAL ONGOING FINANCING COSTS WITH AN ALTERNATIVE SERVICER²	\$1,702,750

¹ Assumes the Company is the servicer (0.05%).

² Assumes an alternative servicer fee (0.60%).

Attachment 5**REVENUE REQUIREMENT AND INPUT VALUES**

Initial Payment Period from December 2021 to June 2022³	Bond Repayment	Total
Forecasted retail kWh sales		33,688,420,122
Percent of billed amounts expected to be charged-off		0.2240%
Forecasted % of billings paid in the applicable period		99.7760%
Forecasted retail kWh sales billed and collected		29,285,295,252
Storm Recovery Bond principal payment	\$ 4,538,012	\$ 4,538,012
Storm Recovery Bond interest payment	\$ 3,176,510	\$ 3,176,510
Forecasted ongoing Financing Costs (excluding principal and interest)	\$ 238,879	\$ 238,879
Total collection requirement for applicable period	\$ 7,953,400	\$ 7,953,400

³ Source: IAL Attachment 3

Attachment 6

Proposed Storm Recovery Charges by Customer Rate Class

Rate Class	Applicable Schedules	(A) Revenue Requirement Allocated by Class ⁽¹⁾ (\$'000)	(B) Effective Sales ⁽²⁾ (MWh)	(C) Storm Recovery Charge (¢/kWh)
				(A) * 100 / (B)
Residential	ES, RE, RETC, RS, RSTC, RT	\$5,529	11,776,475	0.0469
General Service	BC, HP, LGS, OPT-E, OPT-V, PG, S, SGS, SGSTC, TS	\$1,583	11,207,145	0.0141
Industrial	HP, I, OPT-E, OPT-V, PG	\$447	6,181,338	0.0072
Lighting	NL, OL, PL	\$395	120,337	0.3280
Total		\$7,953	29,285,295	0.0272

⁽¹⁾ Refer to IAL Attachment 3 and IAL Attachment 6 (pg 2). Revenue Requirements have been grossed-up to reflect uncollectible account write-offs and regulatory fees.

⁽²⁾ Total Effective Sales are based on December 2021 from the Company's Spring 2021 retail load forecast and January-June 2022 from the Company's Fall 2021 retail load forecast, adjusted for collection curves. Effective Sales have been allocated to Rate Classes using billed kWh sales for year 2018.

Month New Charge Goes Into Effect:
 Period End Date:

12/1/21
 7/1/22

Collection Period Length (months): 7
 Revenue Requirement: \$7,953,400

	Month	Residential	General Service	Industrial	Lighting	Total
Rate Class Allocator		69.51%	19.91%	5.62%	4.96%	100.00%
Collection Curve	0					16.670%
Collection Curve	1					83.330%
Writeoff						0.224%

Billing Forecast (MWH)						
	Month	Residential	General Service	Industrial	Lighting	Total
	Nov-21	-	-	-	-	-
	Dec-21	2,261,150	1,815,207	973,666	20,523	5,070,546
	Jan-22	2,445,391	1,838,141	962,227	19,505	5,265,265
	Feb-22	1,915,139	1,804,615	999,746	19,405	4,738,905
	Mar-22	1,771,682	1,768,490	991,468	19,347	4,550,987
	Apr-22	1,509,305	1,763,721	1,033,650	19,314	4,325,990
	May-22	1,566,705	1,890,025	1,055,638	19,297	4,531,665
	Jun-22	2,000,851	2,112,219	1,072,703	19,290	5,205,062
		13,470,223	12,992,418	7,089,098	136,681	33,688,420

Collectable (MWH)						
	Collect Month Billed	Residential	General Service	Industrial	Lighting	Total
	Dec-21	376,089	301,917	161,947	3,414	843,367
	Jan-22	406,734	305,732	160,044	3,244	875,754
	Feb-22	318,538	300,156	166,284	3,228	788,206
	Mar-22	294,678	294,147	164,907	3,218	756,950
	Apr-22	251,038	293,354	171,923	3,212	719,527
	May-22	260,585	314,361	175,581	3,210	753,736
	Jun-22	332,795	351,318	178,419	3,208	865,740
		2,240,456	2,160,985	1,179,106	22,734	5,603,280
	Collect					
	Dec-21	-	-	-	-	-
	Jan-22	1,879,995	1,509,223	809,539	17,064	4,215,821

Feb-22	2,033,180	1,528,292	800,028	16,217	4,377,717
Mar-22	1,592,310	1,500,417	831,223	16,134	3,940,084
Apr-22	1,473,036	1,470,382	824,339	16,085	3,783,842
May-22	1,254,887	1,466,416	859,411	16,059	3,596,773
Jun-22	1,302,611	1,571,430	877,693	16,045	3,767,778
	<u>9,536,019</u>	<u>9,046,161</u>	<u>5,002,232</u>	<u>97,603</u>	<u>23,682,015</u>

MWH at Prior Charge	-	-	-	-	-
MWH at New Charge	11,776,475	11,207,145	6,181,338	120,337	29,285,295

Calculation of New Charge:

Collections Required	\$5,528,770	\$1,583,141	\$446,787	\$394,702	\$7,953,400
Less Collections at Prior Charge	\$0	\$0	\$0	\$0	\$0
Collections at New Charge	\$5,528,770	\$1,583,141	\$446,787	\$394,702	\$7,953,400
MWH Collected at New Charge	11,776,475	11,207,145	6,181,338	120,337	29,285,295
Storm Recovery Charge - ¢/kWh	0.0469	0.0141	0.0072	0.3280	0.0272

Estimated Dollars Collected:	Dec-21	176,386	42,570	11,660	11,196	\$241,813
(Diff from revenue requirement	Jan-22	1,072,476	255,909	69,810	66,610	1,464,805
due to charges rounded to	Feb-22	1,102,956	257,811	69,574	63,779	1,494,121
four decimals)	Mar-22	884,997	253,034	71,721	63,473	1,273,225
	Apr-22	808,590	248,687	71,731	63,297	1,192,305
	May-22	710,756	251,090	74,519	63,200	1,099,565
	Jun-22	767,005	271,107	76,040	63,149	1,177,302
		<u>\$5,523,167</u>	<u>\$1,580,207</u>	<u>\$445,056</u>	<u>\$394,706</u>	<u>\$7,943,136</u>

Attachment 7

Quantifiable Benefits to Customers

Traditional Recovery Model versus Storm Recovery Charge Model - Quantifiable Benefit to Customers

		ANNUAL REVENUE REQUIREMENT									
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Storm Recovery Charge Model ^[1]		(1,242)	(2,796)	11,501	11,669	11,878	12,087	12,296	12,505	12,714	12,923
Traditional Recovery Model ^[1]		8,244	25,015	24,181	23,348	22,514	21,680	20,846	20,013	19,179	18,345
		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Storm Recovery Charge Model ^[1]		13,131	13,342	13,562	13,783	14,004	14,225	14,446	14,667	14,889	15,110
Traditional Recovery Model ^[1]		17,511	16,678	15,844	15,010	10,120	1,439	1,404	1,369	1,334	1,299
		2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Storm Recovery Charge Model ^[1]		14,675	7,020	-	-	-	-	-	-	-	-
Traditional Recovery Model ^[1]		1,264	1,229	1,194	1,159	1,124	1,089	1,054	1,019	984	949
		2050	2051	2052	2053	2054	2055	2056	2057	2058	2059
Storm Recovery Charge Model ^[1]		-	-	-	-	-	-	-	-	-	-
Traditional Recovery Model ^[1]		914	879	844	809	774	739	704	669	634	599
		2060	2061	2062	2063	2064	Total				
Storm Recovery Charge Model ^[1]		-	-	-	-	-	256,390				
Traditional Recovery Model ^[1]		564	529	494	458	182	306,228				

	Net Present Value [2]	Nominal Value	Net of Tax Weighted Average Cost of Capital
Storm Recovery Charge Model ^[1]	\$ 119,986	\$ 256,390	6.56%
Traditional Recovery Model ^{[1][3]}	183,886	306,228	
Relative cost (benefit) of securitization	(63,990)		
% savings to customers	-34.7%		

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.

[2] For the purposes of calculating net present value, Duke Energy Carolinas used the approved WACC rate per the March 31, 2021 Duke Energy Carolinas rate case Order in Docket No. E-7 Sub 1214.

Attachment 8**Company Certification**

November 18, 2021

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27603-5918

Re: Duke Energy Carolinas, LLC's Company Certification
Docket No. E-7, Sub 1243

Dear Clerk Dunston,

Duke Energy Carolinas, LLC (the "Company") submits this Certification pursuant to Ordering Paragraph 29 of the Financing Order in Docket No. E-7, Sub 1243 (the "Financing Order"). All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated November 18, 2021, the Company has set forth the following particulars of the Storm Recovery Bonds:

Name of Storm Recovery Bonds: Senior Secured Series A Storm Recovery Bonds

Name of SPE: Duke Energy Carolinas NC Storm Funding LLC

Name of Storm Recovery Bond Indenture Trustee: The Bank of New York Mellon Trust Company, National Association

Closing Date: November 24, 2021

Preliminary Bond Ratings: Moody's Aaa(sf); Standard & Poor's AAA(sf)
(final ratings to be received prior to closing)

Total Principal Amount of Storm Recovery Bonds to be Issued:
\$237,210,000(See Attachment 1)

Estimated up-front Financing Costs: \$4,365,200 (See Attachment 2)

Interest Rates and Expected Amortization Schedule: (See Attachment 3)

Distributions to Investors: Semi-annually

Weighted Average Coupon Rate⁴:2.407%

⁴ Weighted by modified duration and principal amount of each tranche.

Annualized Weighted Average Yield⁵:2.438%
Initial Balance of capital subaccount: \$1,186,050
Estimated/Actual ongoing Financing Costs for first year of Storm Recovery
Bonds:
\$398,095

As required by the Financing Order, the Company prepared a comparison between the net present value of costs to customers that are estimated to result from the issuance of Storm Recovery Bonds and the costs that would result from the application of the traditional method of recovering storm recovery costs from customers.

In accordance with the procedures set forth in the Financing Order, the following actions were taken in connection with the structuring and pricing and financing costs of the Storm Recovery Bonds in order to satisfy the statutory cost objectives:

- Conducted weekly meetings of the Bond Advisory Team from late May through early November 2021 seeking advice and input from representatives of the Commission and Public Staff on all aspects for the structuring, marketing, and pricing of the Storm Recovery Bonds;
- Included credit enhancements in the form of the true-up mechanism and an equity contribution to Duke Energy Carolinas NC Storm Funding LLC of 0.50% of the original principal amount of the bonds;
- Structured the financing so that the Storm Recovery Bonds would not be asset backed securities within the meaning of Item 1101(c) of Regulation AB;
- Ensured the Registration Statement contained proper disclosures to communicate the superior credit features of the Storm Recovery Bonds;
- Developed rating agency presentations and worked actively with the rating agencies during the rating agency process to achieve Aaa(sf) / AAAsf from at least two of the three major rating agencies;
- Worked to select key transaction participants, including lead underwriters and co-managers through an RFI process to determine that they have relevant experience and execution capabilities, and who were aligned with DEC's objectives, namely broad distribution to investors and willingness to market the bonds in a manner consistent with the superior credit quality and uniqueness of the bonds;
- Hired a diverse group of underwriters, including underwriters with international and mid-tier expertise in order to attract a wide variety of potential investors;
- Reviewed detailed marketing plans submitted by each lead underwriter;

⁵ Weighted by modified duration and principal amount, calculated including selling commissions.

- Developed all bond transaction documents, and prepared marketing materials in plain English, in an effort to ensure investors could more easily understand the high-quality nature of the bond offering;
- Allowed sufficient time for investors to review relevant marketing materials and preliminary prospectus and to ask questions regarding the transaction;
- Arranged issuance of rating agency pre-sale reports during the marketing period;
- During the period that the bonds were marketed, held numerous market update discussions with the underwriting team and Bond Advisory Team to develop recommendation for pricing;
- Had multiple conversations with all of the members of the underwriting team during the marketing phase in which we stressed the requirements of the Financing Order;
- Developed and implemented a marketing plan designed to encourage each of the underwriters to aggressively market the bonds to a broad base of prospective corporate and asset backed securities investors, including investors who have not previously purchased this type of security;
- Conducted telephonic roadshows, either with small groups of 3-5 accounts or 1-on-1 sessions, with 40 investors over a 4-day period;
- Provided other potential investors with access to an internet roadshow for viewing at investors' convenience, this internet roadshow was viewed by 48 institutions in addition to those who participated in the small group or 1-on-1 sessions noted above;
- Adapted the bond offering to market conditions and investor demand at the time of pricing consistent with the guidelines outlined within the Financing Order. Variables impacting the final structure of the transaction were evaluated including the length of the average lives and maturity of the bonds and the interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for the highest rating possible; and
- Developed bond allocations, underwriter compensation and preliminary price guidance designed to achieve customer savings.

Based on the statutory criteria and procedures, the record in this proceeding, and other provisions of this Financing Order, DEC certifies the statutory requirements for issuance of a financing order and Storm Recovery Bonds have been met, specifically that the issuance of the Storm Recovery Bonds on behalf of DEC and the imposition and collecting of Storm Recovery Charges authorized by this Financing Order provide quantifiable benefits to customers of DEC as compared to the costs that would have been incurred absent the issuance of Storm Recovery Bonds and that the structuring and pricing of the Storm Recovery Bonds issued on behalf of DEC result in the lowest Storm Recovery Charges payable by the customers of DEC consistent with market conditions at the time such Storm Recovery Bonds are priced and the terms set forth in the Financing Order.

This certification is being provided to the Commission by the Company in accordance with the terms of the Financing Order, and no one other than the Commission shall be entitled to rely on the certification provided herein for any purpose.

Respectfully Submitted,

A handwritten signature in black ink, consisting of the letters 'K', 'L', and 'M' in a stylized, cursive font.

Duke Energy Carolinas, LLC