DUKE ENERGY
FLORIDA

Dianne M. Triplett
ASSOCIATE GENERAL COUNSEL
Duke Energy Florida, LLC

August 18, 2016

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket 150171-EI
DEF Petition for Issuance of Nuclear Asset-Recovery Financing Order

Dear Ms. Stauffer:

On behalf of Duke Energy Florida, LLC ("DEF"), attached for filing is DEF's supporting information on the actual upfront bond issuance costs for Commission review pursuant to Order No. PSC-15-0537-FOF-EI issued November 19, 2015.

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me at (727) 820-4692.

Sincerely,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/at
Attachment

DUKE ENERGY
FLORIDA

Stephen G. De May
SVP Tax and Treasurer
Duke Energy Florida, LLC

August 18, 2016

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Petition of Duke Energy Florida, LLC for Issuance of Nuclear Asset-Recovery Financing Order; Docket No.150071-EI*

Dear Ms. Stauffer:

Pursuant to Ordering Paragraph 31 on page 53 of Florida Public Service Commission ("PSC" or "Commission") Order No. PSC-15-0537-FOF-EI, issued November 19, 2015 in the above-referenced docket (the "Financing Order") and Section 366.95(2)(c)5., Florida Statutes, Duke Energy Florida, LLC ("DEF' or the "Company") submits this supporting information on the actual upfront bond issuance costs, for the categories of costs reflected in Exhibit 79 of the Order, associated with its issuance of $1.294 billion in nuclear asset-recovery bonds on June 22, 2016.

DEF believes that, on a reasonably comparable basis, its upfront costs incurred in the issuance of the nuclear asset-recovery bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the bond issuance and the terms of the Financing Order. As addressed at the June 16, 2016 Emergency Meeting before the Commission, DEF's nuclear asset-recovery bond issuance achieved a total financing cost of 2.72 percent, which is the lowest cost in the history of investor-owned utility rate reduction bonds. (Emergency Meeting Transcript ("Trans."), page 9). Additionally, the nuclear asset-recovery bonds priced at interest rates in line with U.S. agency securities such as Tennessee Valley Authority, Fannie Mae, Federal Home Loan Board, Johnson & Johnson, and Exxon. (Trans., page 9). The tight interest rate spreads resulted in a net present value savings of $684 million to DEF's customers, as compared to the traditional recovery method. Therefore, within the parameters set forth for this financing by the Financing Order and the decisions taken by the Bond Team, the Commission's Financial Advisor, Saber Partners ("Saber") provided an opinion letter and indicated that they were not aware of any action or inaction which Saber believed might have caused the transaction not to achieve the lowest nuclear asset-recovery charges, the "statutory cost objectives," and/or the greatest possible customer protections. (Trans., page 8). Saber's opinion letter contained no qualifications.

This was the first-ever securitization in Florida under Section 366.95, enacted by the 2015 Florida Legislature. As required by the Financing Order, a Bond Team comprised of representatives of the

Company, the Commission and their designated advisors and legal counsel was established to ensure that the structuring, marketing, and pricing of the nuclear asset-recovery bonds would achieve the lowest cost objective and the statutory cost objective, and that the transaction documents included adequate protections for the customers. Beginning in October 2015, the Bond Team began meeting to address the details of the nuclear asset-recovery bond issuance in accordance with the terms of the Financing Order. The Bond Team, with the assistance of experienced legal and financial advisors, evaluated alternative structures and extensively explored whether the bonds could be issued and sold as asset-backed securities or as corporate securities, whether fixed rate or variable rate bonds should be offered, and what ongoing reporting investors would require.

As indicated on the spreadsheet attached as Appendix A, DEF's upfront nuclear asset-recovery bond issuance costs total approximately $15.6 million. Although this is higher than the estimate provided in DEF's September 2015 filing, it is slightly less than the estimates provided in May and June 2016. As explained in the Appendix, the cost increases resulted in part from the additional legal analysis and other work done to pursue the removal of the SF indicator, the risk weighting issues, and other general securities laws issues that arose throughout the course of the structuring, marketing and pricing of the bonds. Specifically, actual costs for the Commission's Financial Advisor, its outside attorney, DEF's attorneys, and printing were higher than originally anticipated. The other main driver of the cost increase was an increase in underwriter fees. DEF's original estimate was based on the fees incurred in connection with other utility securitization transactions. There were two reasons for the increase: (1) to provide the underwriters with additional incentive to sell the long-dated bonds which are unusual for securitizations of this type; and (2) to be consistent with fees paid for traditional corporate bond issuances. The Bond Team was fully engaged and aware of both the additional analysis of the above-referenced issues, as well as the additional underwriter fees. The Bond Team authorized the additional work and costs to pursue changes that were deemed beneficial to effectively market the bonds and maximize investor interest, thereby achieving the lowest possible interest rate.

In sum, the Bond Team's work in the structuring, marketing, and pricing of these bonds was successful in securing lower costs for DEF's customers. Indeed, it resulted in the lowest financing cost in the history of investor-owned utility rate reduction bonds. The costs incurred in the issuance of the bonds resulted in the lowest overall costs that were reasonably consistent with market conditions at the time of the bond issuance and the terms of the Financing Order.

Should you or your staff have any questions concerning this filing, please do not hesitate to contact us.

Respectfully,

Stephen G. De May
Senior Vice President, Tax and Treasurer
Duke Energy Florida, LLC

Enclosure

APPENDIX A - DEF UP-FRONT NUCLEAR ASSET-RECOVERY BOND ISSUANCE COSTS

Categories of Costs	Estimate as of Sept. 30, 2015 (Exhibit 79)	Estimate as of May 25, 2016 (Attachment 2 to Issuance Advice Letter)	Estimate as of June 16, 2016 (Attachment 2 to Issuance Advice Letter)	Actual
Underwriters' Fees and Expenses[1]	$ 5,178,848	$ 6,848,716	$ 6,800,000	$ 6,789,530
Servicer Set-up Fee (including Information Technology Programming Costs)[2]	900,000	395,000	395,000	382,833
Legal Fees and Expenses[3]	2,300,000	3,654,501	3,379,500	3,376,504
Rating Agency Fees and Expenses[4]	1,564,250	1,600,000	1,600,000	1,601,288
Commission's Financial Advisor Fees and Expenses	850,000	1,600,000	1,600,000	1,600,000
Commission's Legal Fees and Expenses	--	1,150,000	1,350,000	1,171,000
Auditor Fees and Expenses[5]	212,500	40,000	60,000	72,159
DEF Structuring Advisor Fee and Expenses[6]	400,000	400,000	400,000	290,273
SEC Registration Fees[7]	150,446	135,000	135,000	130,335
SPE / Issuer Set-up Fee[8]	60,000	60,000	60,000	3,500
Marketing and Miscellaneous Fees and Expenses[9]	45,000	91,783	63,500	36,725
Printing/Edgarizing Expenses[10]	25,000	25,000	85,000	78,033
Trustee/Trustee Counsel Fee and Expenses[11]	17,500	25,000	25,000	42,900
Original Issue Discount[12]	--	--	--	51,287
TOTAL	$ 11,703,544	$ 16,025,000	$ 15,953,000	$15,626,367
DIFFERENCE TO ACTUAL – LOWER/(HIGHER)	$ 3,922,823	$ (398,633)	$ (326,633)	

[1] Actual Underwriters' Fees and Expenses determined after negotiations between the Bond Team and the underwriters.

[2] Servicer Set-up Fee (including Information Technology Programming Costs) primarily represents the cost of customer billing system modifications to enable billing the bond charge as a separate line item on customer bills. The cost of this project was significantly lower than original estimates, because DEF identified more efficient options to use.

[3] Original estimate did not contemplate the multiple transaction structures evaluated, number of registration statement amendments filed, or extent of research (i.e. risk weighting, rating subscript, general securities law matters, etc.) required for this transaction. Also the original filing anticipated a issuance in the March 2016 timeframe.

[4] Rating agency fees were negotiated by the Bond Team.

[5] Actual procedures performed by FTI Consulting, LLC were more extensive than estimated due to multiple model updates and registration statement amendments.

[6] DEF Structuring Advisor Fee and Expenses were competitively bid. Morgan Stanley resigned as structuring advisor when not selected as an underwriter for the transaction. DEF had paid Morgan Stanley $200,000 plus expenses at the time of their resignation. The Bond Team hired Analytic Aid as replacement modeling agent at an ultimate cost of $90,000. The Bond Team agreed Morgan Stanley should not be paid any additional amounts after their resignation. Accordingly, the actual amount paid was less than the original estimate.

[7] SEC Registration Fee was determined based on $1,294,420,000 principal amount issued.

[8] SPE/Issuer Set-up Fee consists of the first year's independent manager fees paid to Bernard Angelo at Global Securitization Services.

[9] Marketing and Miscellaneous Fees and Expenses includes DEF's travel expenses for rating agency and investor meetings, reimbursement of the FPSC's travel expenses, and costs for the electronic roadshow and 17g-5 website.

[10] Printing/Edgarizing Expenses were competitively bid. Actual expenses were higher than estimated due to multiple registration statement and free writing prospectus amendments.

[11] Trustee/Trustee Counsel Fee and Expenses were competitively bid. Actual expenses were higher than estimated as the estimate only reflected trustee counsel fees and inadvertently excluded Bank of New York Mellon's initial fees.

[12] Original Issue Discount ($51,287), which results from rounding when the coupon is set, was not included in the Estimated Up-Front Nuclear Asset-Recovery Bond Issuance Costs as it could not be estimated.