

North Carolina Utilities Commission Public Staff Selects Saber Partners, LLC as Advisor on Utility Securitization

(Raleigh, North Carolina) Following a nation-wide competition beginning in March 2020, Saber Partners, LLC was selected in June 2020 as the sole advisor to the Public Staff of the North Carolina Utilities Commission for electric utility storm securitization bond petitions and offerings. Securitization is a bond offering process that allows utilities to recover costs from their customers at a much lower cost than traditional utility finance methods.

As described on their website, "The Public Staff is an independent agency created in 1977 by legislation in [General Statute 62-15](#) to review, investigate, and make appropriate recommendations to the North Carolina Utilities Commission with respect to the reasonableness of rates charged and adequacy of service provided by any public utility...The Public Staff intervenes on behalf of the using and consuming public in all Commission proceedings affecting rates or service ...to provide customers with effective, independent representation based on technical and professional expertise..."

In 2019, the North Carolina legislature in [Senate Bill 559](#) authorized utility securitization for any damage to the state's investor-owned utility system caused by storms and hurricanes. The North Carolina legislation is based on Florida state legislation in 2005 that first authorized securitization for storm and hurricane damage. Saber Partners was the advisor to the [Florida Public Service Commission](#) on the nation's first storm securitization bond offering in 2007.

In this highly specialized area of utility securitization finance, Saber Partners, LLC is the leading provider of consulting services to state utility regulators, their staffs and consumer advocates. This area has been a primary focus of the firm for 20 years.

Through \$9 billion of electric utility securitizations in 13 separate SEC registered public offerings, Saber Partners has efficiently, effectively and swiftly advised seven regulatory commissions, public counsel or their agents. The firm's structuring, marketing and pricing advice has saved over \$150 million of additional dollars for utility customers over those proposed by other transaction participants. Saber Partners' first transaction required the firm's current principals to navigate the market upheaval of September 11, 2001.

For more information on Saber Partners' performance, see the firm's "[Client Testimonials](#)" on corporate utility securitizations.

Attachment

March 2020 North Carolina Utilities Commission Public Staff Request for Quotations

Request for Quotations

*Consultant to the Public Staff on Electric Utility Storm
Cost Securitization*

March, 2020

Introduction

The Public Staff – N.C. Utilities Commission is a state agency that represents customer interests in proceedings before the North Carolina Utilities Commission. The Public Staff is independent of the Commission.

The Public Staff may, with approval, hire independent contractors to provide subject matter expertise, pursuant to N.C. General Statute 62-15(h):

The executive director is authorized to employ, subject to approval by the State Budget Director, expert witnesses and such other professional expertise as the executive director may deem necessary from time to time to assist the public staff in its participation in Commission proceedings, and the compensation and expenses therefor shall be paid by the utility or utilities participating in said proceedings. Such compensation and expenses shall be treated by the Commission, for rate-making purposes, in a manner generally consistent with its treatment of similar expenditures incurred by utilities in the presentation of their cases before the Commission. An accounting of such compensation and expenses shall be reported annually to the Joint Legislative Commission on Governmental Operations and to the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

The Public Staff seeks a consultant to assist the Public Staff with separate petitions by Duke Energy Carolinas, LLC (DEC), and Duke Energy Progress, LLC (DEP), for storm cost securitization, and for Commission rulemaking for storm cost securitization (Securitization Consultant).

Background

During the 2019 Session, the North Carolina General Assembly enacted N.C. Gen. Stat. § 62-172 in Senate Bill 559 (SB 559), entitled Financing of Certain Storm Recovery Costs. This bill was enacted effective November 6, 2019, and is included in this RFQ as Attachment A. Section (b)(1)a. of this bill provides that a public utility may petition the

North Carolina Utilities Commission for a financing order to issue bonds for storm recovery activities.

Prior to enactment of SB 559, DEC filed a general rate case on September 30, 2019, in Docket No. E-7, Sub 1214, which includes a request for recovery of storm costs on page 11, lines 2 through 7 of the direct testimony of the President of DEC, Stephen DeMay. Mr. DeMay described DEC's intent to evaluate securitization of the storm costs presented in the general rate case if the pending storm securitization legislation became law, which occurred subsequently. The DEC evidentiary hearing is scheduled to commence on March 23, 2020. The Commission Order is expected to be issued in July 2020.

Similarly, prior to enactment of SB 559, DEP filed a general rate case on October 30, 2019, in Docket No. E-2, Sub 1219, which includes a request for recovery of storm costs. On page 11, lines 10 through 15 of the direct testimony of DEP President Stephen DeMay. Mr. DeMay described DEP's intent to evaluate securitization of the storm costs presented in the general rate case if the pending storm securitization legislation became law. The DEP evidentiary hearing is scheduled to commence on May 4, 2020. The Commission Order is expected to be issued in August 2020.

This RFP is issued in anticipation of a future filing of petitions to securitize storm costs by DEC and DEP later this year, although the timeframe is uncertain. Please note that the decision to file such a petition is solely within the discretion of the utility, thus it is possible DEC, and DEP may not file a petition. The extent of the work will be dependent upon the filing of a securitization petition.

Scope of Work

The securitization consultant will review and analyze the storm cost securitization petitions of both DEC and DEP, pursuant to N.C. Gen. Stat. § 62-172, and present testimony on the Public Staff's position. The securitization consultant also will support the Public Staff's oversight of the negotiation and issuance of any storm recovery bonds.

The securitization petitions and rulemaking will require more resources and expertise than the Public Staff has available in-house, considering current workload. The Public Staff seeks to hire a consultant with the appropriate expertise and resources to conduct such analysis and provide advice. Ideally, the Public Staff would like to have a contract in place with the consultant ready to perform by May 18, 2020.

The scope of work will include:

1. Review the respective DEC and DEP storm cost securitization petition(s) and all testimony, exhibits, responses to data requests, deposition transcripts, and hearing transcripts.
2. Assist Public Staff in the preparation of discovery for the DEC and DEP petitions for a securitization financing order.

3. Review proposed financing costs, structuring of bond issuance, expected pricing of the bonds, and terms and conditions of the Electric Utility Storm Securitization Bonds and make recommendations for any suggested modifications to the proposed offering(s).
4. Analyze whether the financing proposed in the petitions would be reasonably expected to result in lower overall costs, or would avoid or significantly mitigate rate impacts to customers, compared to alternative methods of financing, and make recommendations for suggested modifications.
5. Assist in the preparation and review of any North Carolina Utilities Commission Financing Order(s).
6. Assist the Public Staff in evaluating all testimony, exhibits, filings, and reports in connection with a bond issuance, including but not limited to: Issuance Advice Letter, proposed servicing reports, and proposed true-up calculation procedures.
7. Participate fully, and in advance of, all plans and decisions concerning the structuring, pricing, and marketing of any Electric Utility Storm Securitization Bonds proposed to be issued by DEC and DEP.
8. Review documents associated with any final bond issuance, monitor the actual solicitation of bonds, and ensure that all reasonable and customary due diligence has been performed on the part of the DEC and DEP, their bond underwriters, and their financial advisors.
9. Provide updates on the status of any bond issuances and information on prevailing market conditions.
10. Assist the Public Staff in its review of information submitted by DEC and DEP on the actual costs of an Electric Utility Storm Securitization Bond issuance.
11. Produce fully supported and documented statements concerning the fairness or reasonableness of the timing of a sale, gross underwriting spread, and pricing of any DEC and DEP Electric Utility Storm Securitization Bond(s) and other reports and documents as needed to effectuate the purposes of this RFQ.
12. Assist and consult with the Public Staff, and testify before the Commission in a rule making proceeding on storm cost securitization as provided in N.C. Gen. Stat. § 62-172.
13. Attend and testify, if necessary at evidentiary hearings before the Commission.
14. Prepare and submit bi-weekly reports on the progress of the investigation or to-date results of the investigation as appropriate.

15. Be available for weekly conference calls with the Public Staff.
16. Participate with Public Staff personnel in interviews and conference calls with the utilities.
17. Communicate regularly with Public Staff personnel regarding project status and planning.
18. Submit a final report to the Public Staff with detailed analysis and recommendations.

Issues related to storm cost securitization debt structure will be governed by statutory and Commission procedural deadlines, so the consultant must complete its duties within the time frames specified by the Public Staff. Thus, the consultant must have available sufficient staff resources to review and provide analysis of voluminous information within the available time frame. Time is of the essence in completing reviews for the Public Staff.

The consultant will be called upon to provide written and oral testimony in a litigated proceeding before the Utilities Commission. Therefore, preference will be given for experience in testifying in legal proceedings.

The Public Staff cannot easily predict the consultant's time commitment for this project, so in addition to a not-to-exceed total contract dollar value based on an estimated one-year timeframe for the work, the Public Staff requests quotes including personnel hourly rates plus a schedule of any incidental charges (e.g., photocopying costs).

Consultant must bill at least monthly. Invoices must include a list of each consultant employee (or contractor if approved in advance by the Public Staff) who worked on the billed items, his/her hourly rates, the number of hours worked, the nature of the work, and the North Carolina Utilities Commission docket number of the case to which the time should be billed.

Consultant may be required to execute confidentiality agreements with the utilities or other parties whose documents are being reviewed by the Public Staff and consultant.

Consultant shall be an independent contractor. The Public Staff shall have the right to unlimited use of all work product prepared by the consultant pursuant to the contract executed under this RFQ.

Required Information in Quotation

All responses to this RFQ must be sent in written form, either electronically or hard copy. Responses should include:

- A statement of the consultant's qualifications to perform the requested work, with a focus on experience in electric utility storm cost securitization investigations.
- A list of personnel, to the extent known, who will provide the consulting and other utility securitization investigation services to the Public Staff, their hourly rates, and their credentials including academic background and work experience.
- A list of possible non-personnel costs and the associated rates where applicable. (E.g., any separate charges for communications, copying, or travel time.)
- At least two references who can speak to previous work done by the consultant, with a focus on electric utility expense securitization investigations or other utility securitization investigations to the extent possible.
- A description of similar prior projects performed by the consultant, including names of clients (if not confidential), the nature of the analysis performed, and the timeframe of that performance. If applicable, please provide weblinks to or copies of any testimony as a storm cost securitization expert or other type of expert testimony before a regulatory body, as well as weblinks to cases filed since 2016.
- A statement affirming that the consultant has not performed work for Duke Energy Corporation, Duke Energy Progress, LLC, Duke Energy Carolinas, LLC, or any of their affiliates. If the consultant has performed any work under contract for Duke Energy Corporation, Duke Energy Progress, LLC, Duke Energy Carolinas, LLC, or their affiliates in the past, or expects to perform work in the future, it must identify all such work, indicate whether any such work is ongoing, and explain why such work would not create a conflict of interest if the consultant is retained to work on behalf of the Public Staff.
- A statement of any past or present criminal charges (state or federal), and any government debarments from contracts, made against the consulting business or its current personnel.
- The consultant's federal employer identification number.
- The name, job title, mailing address, physical address, telephone number, and email address of the person who has the legal authority to issue the quotation on

behalf of the consultant and to legally bind the consultant in a contract for consulting services pursuant to this RFQ.

- A statement that the consultant accepts all the provisions, terms, and conditions of this RFQ.
- A statement of the not-to-exceed dollar amount for providing consulting services for the DEC and DEP storm securitization petitions and Commission rulemaking case pursuant to this RFQ for a one-year period beginning with commencement of the contract (anticipated to be May 18, 2020, but subject to change), and a statement of additional costs if completion of the investigation and presentation of testimony on the results of the investigation should take longer than one year.

Procedure

All inquiries about procedures and responses to this RFQ should be directed in writing to the Business Officer of the Public Staff: Carl Goolsby, email at carl.goolsby@psncuc.nc.gov or U.S. Mail at Carl Goolsby, Public Staff – NC Utilities Commission, 4326 Mail Service Center, Raleigh, NC 27699-4300.

Any questions about the RFQ scope of work may be sent to the Public Staff by email to William Grantmyre at william.grantmyre@psncuc.nc.gov until 5:00 pm (Eastern) on March 25, 2020. Responses will be in writing via email, and will be made available upon request.

Quotations in response to this RFQ must be received by the Public Staff no later than 5:00 p.m. (Eastern) on March 31, 2020.

All quotations will be kept confidential by the Public Staff until a contract for consulting services has been executed.

The Public Staff hopes to select a consultant from the quotation submissions in April, 2020; however, the process may take longer if we have follow-up questions on the quotation, and we must also obtain approval thereafter from the State Budget Director. Acceptance of a contract for consulting services pursuant to this RFQ is subject to both the Public Staff's discretionary judgment, and approval by the State Budget Director.

The contract for consulting services pursuant to this RFQ shall consist of this RFQ, the written quotation in response to the RFQ, and a signed acceptance letter from an authorized employee of the Public Staff to the consultant.