



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 16, 2021

Letter of Reference To Prospective Clients of Saber Partners, LLC

Evaluation of Saber Partners, LLC as the Consultant/Financial Advisor to the North Carolina Utilities Commission Public Staff on Utility Securitization including Expert Witness Testimony on Utility Securitization “Best Practices” to Protect Ratepayers

The North Carolina Utilities Commission Public Staff (Public Staff) is an independent agency created in 1977. N.C. Gen. Stat. § 62-15 states:

- (d) It shall be the duty and responsibility of the Public Staff to:
- (1) Review, investigate, and make appropriate recommendations to the Commission with respect to the reasonableness of rates charged or proposed to be charged by any public utility and with respect to the consistency of such rates with the public policy of assuring an energy supply adequate to protect the public health and safety and to promote the general welfare;
* * *
 - (3) Intervene on behalf of the using and consuming public, in all Commission proceedings affecting the rates or service of any public utility;
* * *
- (h) The executive director is authorized to employ, subject to approval by the State Budget Officer, 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 . . .

In 2019, the North Carolina legislature in Senate Bill 559 authorized utility securitization for incremental costs that a public utility incurs as a result of a named tropical storm or hurricane, a tornado, ice storm or snow storm, flood, an earthquake, or other significant weather or natural

disaster in connection with the restoration of service and infrastructure associated with electric power outages.

In March 2020, Public Staff conducted an extensive and detailed “Request for Quotations” for a “Consultant to the Public Staff on Electric Utility Storm Cost Securitization.” At the conclusion of the review process, Public Staff engaged Saber Partners, LLC as Public Staff’s sole consultant for electric utility storm securitization bond petitions and offerings. Saber Partners, LLC served the Public Staff from June 3, 2020, through June 2, 2021, following issuance of the North Carolina Utilities Commission’s (NCUC) financing orders.

While Saber Partners is best suited for advising Commissions and their staffs directly, in North Carolina, the Public Staff performs the audit and investigation of all matters and presents a case to the NCUC on behalf of the using and consuming public. In this role, the Public Staff exercises the role and authority that is exercised by a Commission trial or investigation staff and appears before the NCUC as a party in the case. Saber Partners, therefore, by assisting Public Staff, was precluded from serving as the Commission’s advisor should the Commission decide to be involved at the conclusion of any petition.

On October 26, 2020, pursuant to N.C. Gen. Stat. § 62-172, Duke Energy Carolinas and Duke Energy Progress (the “Companies”) submitted a joint petition for financing orders in Dockets E-2 Sub 1262 and E-7 Sub 1243 authorizing the issuance of approximately \$1 billion in securitization bonds (Joint Petition). The Joint Petition included extensive direct testimony submitted by four of the Companies’ employees and one expert witness. Three of the Companies’ witnesses filed rebuttal testimony on January 11, 2021.

Saber Partners reviewed and analyzed the Joint Petition and rebuttal testimony filed by the Companies’ witnesses in a fully contested case. The entire docket, including all testimony and transcripts, is found at <https://starw1.ncuc.net/NCUC/page/docket-docs/PSC/DocketDetails.aspx?DocketId=fbd55aa7-cfab-48bb-a3ad-2663b63a3b65>.

Saber Partners’ personnel displayed extraordinary in-depth technical knowledge, experience, skill and competency during this review and discussion with Public Staff. They performed all services in an excellent manner and on time.

Saber Partners’ duties for Public Staff included the following:

- Educated Public Staff on all aspects of investor-owned utility securitization so that Public Staff could develop its position.
- Assisted in preparation and analysis of Public Staff’s data requests of the Companies and their witnesses on wide-ranging issues based on the Companies’ Joint Petition and testimony.
- Fielded a comprehensive team of seasoned experts to present written and oral testimony before the Commission on all facets of utility securitization and in particular “best practices” to protect ratepayers. These experts included:

- Barry Abramson
 - Becky Klein
 - Brian A. Maher
 - William B. Moore
 - Paul R. Sutherland
 - Hyman Schoenblum
 - Steven Heller
 - Joseph S. Fichera
- Assisted Public Staff in the negotiation of a “Agreement and Stipulation of Partial Settlement” between the Companies and Public Staff that included Saber Partners’ proposed provision that prevented ratepayers from losing \$35-40 million in net present savings from the way the Companies had proposed structuring the bond issue.

Public Staff testimony on the Joint Petition was submitted on December 21, 2020. Saber Partners’ written and subsequent oral testimony was thoroughly researched and comprehensive. They took a complex, technical subject and presented it in a straightforward, understandable way for non-technical people. In analyzing the Joint Petition, Saber Partners helped Public Staff to identify and present in testimony a detailed set of “best practices” for the NCUC to consider.

On January 28 and 29, 2021, the NCUC held a hearing for the purpose of receiving expert witness testimony regarding the Joint Petition. The cross examination of Saber Partners witnesses can be viewed at <https://www.youtube.com/watch?v=Ie8vrW8nUP8>. The written and oral testimony of each Saber Partners witnesses were both credible and effective. Each witness performed exceedingly well under cross-examination.

On May 10, 2021, the NCUC issued its financing orders in the case. The NCUC financing orders can be downloaded here for Docket No. E-2, SUB 1262 <https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=04b1c72c-f024-40d3-a9bf-d00079e2ee1e>. and here <https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=8b30580e-e173-431f-8f3d-eae1c6e6a7e9> for Docket No. E-7, SUB 1243.

We are very pleased with the outcome for North Carolina ratepayers and the role for Public Staff in oversight of the issuance of storm recovery bonds.

Specifically, the Commission’s financing orders adopted almost all Public Staff’s recommendations presented in the Saber Partners testimony on “best practices.” Of note for other commissions and ratepayer advocates considering securitization, the NCUC established a Post-Financing Order/Pre-Issuance Review Process, gave the NCUC final authority on all aspects of the structuring, marketing and pricing of the bonds with access to specialized independent expertise and required written certifications from the Companies, the underwriters, and the independent advisor to the NCUC.

In particular, the NCUC gave a direct advisory role for Public Staff throughout the structuring, marketing and pricing of the storm recovery bonds to ensure ratepayers would be

represented at the negotiating table with the Companies, the Commission and underwriters and investors. As a result, the Public Staff is on good footing to obtain a positive outcome for ratepayers.

On June 3, 2021, with the financing orders issued and the role for Public Staff defined, Saber Partners concluded its work for the Public Staff.

On behalf of the entire Public Staff, I very much appreciate the outstanding detailed knowledge, diligence and determination contained in the work of each and every member of the Saber Partners team in presenting the Public Staff's case to the NCUC.

Moreover, the Agreement and Stipulation of Partial Settlement negotiated with the Companies upon the advice and analysis of Saber Partners, even before the bonds will be issued,, guarantees at least \$35 million additional ratepayer net present value savings according to subsequent testimony of the Companies' witnesses. These savings would not have occurred but for Saber Partners' analysis and advice to the Public Staff throughout the case.

I recommend the Saber Partners Team unequivocally as expert consultants on the use of utility securitization and protecting ratepayers' interests in these complex transactions. While their role in North Carolina was for the ratepayer advocate, we believe they can be more effective and useful for Commissions and their staffs directly in these matters, especially where the Commission establishes an active participant role for itself in the negotiation and issuance of the bonds following the financing order.

If you have any questions or wish to discuss, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Ayers', with a long horizontal flourish extending to the right.

Christopher J. Ayers
Executive Director