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August 12, 2014

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

**Re: Duke Energy Progress, Inc.,**
**Proposed Order Granting Authority to Issue and Sell Additional Securities**
**Docket No. 2014-300-E**

Dear Mrs. Boyd:

Enclosed for filing in the above captioned docket, is our Proposed Order Granting Authority to Issue and Sell Additional Securities.

Should you have any questions regarding this matter, please do not hesitate to contact Brian Franklin at 980.373.4465.

Sincerely,

Timika Shafeek-Horton

Timika Shafeek-Horton

Enclosure

cc: Nanette Edwards, ORS
Shannon B. Hudson, ORS
Jeffrey Nelson, ORS
Parties of Record

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET No. 2014-300-E, ORDER No. 2014-_____

| | | |
|---|---|---|
| Application of Duke Energy Progress, Inc. for Authority to Issue and Sell Additional Securities | ) ) ) ) | PROPOSED ORDER GRANTING AUTHORITY TO ISSUE AND SELL ADDITIONAL SECURITIES |

This matter comes before the Public Service Commission of South Carolina (the "Commission") upon Application of Duke Energy Progress, Inc. (the "Company") filed on July 11, 2014, requesting authority to issue and sell additional securities.

**FINDINGS OF FACT**

1. The name and address of the Company's attorney is:

Timika Shafeek-Horton
Deputy General Counsel
Duke Energy Progress, Inc.
550 South Tryon Street
Charlotte, North Carolina 28202

2. The Company is a corporation duly organized and existing under the laws of the State of North Carolina. It is duly authorized by its governing documents and the law of this State to engage in the business of generating, transmitting, distributing and selling electric power and energy. It holds a certificate of authority to transact business in the State of South Carolina and is authorized to conduct and carry on business in South Carolina and is conducting and carrying on the businesses above mentioned in each of said States. It is a public utility under the laws of South Carolina and in its operations in this State is subject to the jurisdiction of this Commission. It is also a public utility under the laws of the State of North Carolina, and in its operations in

that State is subject to the jurisdiction of the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is a wholly owned subsidiary of Duke Energy Corporation, which is a holding company headquartered in Charlotte, North Carolina. Duke Energy Corporation wholly owns five other electric utility subsidiaries, Duke Energy Carolinas, LLC, Duke Energy Florida, Inc., Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc. In addition, Duke Energy owns various nonregulated energy businesses primarily in the U.S. and Latin America.

3. The Company's existing outstanding long-term debt principally consists of First Mortgage Bonds, Tax Exempt Bond Obligations, Capital Leases, and Accounts Receivable Securitizations. A schedule of all such Bonds, Tax Exempt Bond Obligations, Capital Leases, and Accounts Receivable Securitizations outstanding as of March 31, 2014 is attached hereto as Exhibit A. All of the outstanding First Mortgage Bonds were issued under the terms of a Mortgage and Deed of Trust, dated as of May 1, 1940, as amended from time to time, between the Company, The Bank of New York Mellon (formerly Irving Trust Company) and Tina D. Gonzalez (successor to Frederick G. Herbst), as Trustees (hereafter sometimes referred to as the "Mortgage"). The Accounts Receivable Securitization consists of debt of the Company's subsidiary, Duke Energy Progress Receivables, LLC.

4. The Company proposes to issue, sell, incur or undertake from time to time a maximum of $3,000,000,000 aggregate principal amount of all or any combination of Proposed Debt Securities, Long-Term Bank Borrowings, Tax Exempt Bond Obligations, Capital Lease

Obligations and Interest Rate Management Agreements, all as defined or described below (collectively, the "Proposed Securities"):

(i) Long-Term Debt Securities ("Proposed Debt Securities")

The Proposed Debt Securities may be unsecured debt instruments or First Mortgage Bonds.

To the extent the Proposed Debt Securities are unsecured senior notes, they will be created and issued under, and subject to the provisions of the Indenture (for Senior Notes), dated as of March 1, 1999 between the Company and The Bank of New York Mellon, as Trustee, as amended and supplemented, and further supplemented by the Supplemental Senior Note Indentures, to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company's First Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancings, the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company, so as to reduce the amount of securities otherwise permitted to be issued by the Company pursuant to the terms of the Commission's order in this docket.

(ii) Long-Term Bank Borrowing.

The Company further seeks permission to make long-term borrowings under its Master Credit Facility ("Long-Term Bank Borrowings"). On December 18, 2013, the Company, along with Duke Energy Corporation and certain of its other wholly-owned subsidiaries, Duke Energy Carolinas, LLC, Duke Energy Florida, Inc., Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., amended its existing $6,000,000,000 Five-Year Credit Agreement, dated as of November 18, 2011, with the lenders listed in the agreement, and with Wells Fargo Bank, National Association, as Administrative Agent. The facility contains borrowing sublimits for the borrowers, including the Company, as set forth in the agreement. The Company may currently borrow up to its initial sublimit of $750,000,000 under the facility, and may, at its option, increase the borrowing sublimit to a maximum of $1,000,000,000. Under the agreement, any borrowing of more than one year in duration by the Company (or any other borrower other than Duke Energy Corporation) must be specified as a long-term borrowing in the notice of borrowing to the lenders. A borrowing by the Company of more than two years in duration requires permission from the Commission in the manner

required for other long-term debt securities and therefore the Company requests the Commission's approval for borrowings in excess of two years in duration, under the Master Credit Facility or such other similar bank borrowing arrangements the Company may enter into from time to time.

(iii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities ("Tax Exempt Bonds"), to fund construction of qualifying facilities associated with the Company's electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refund previously outstanding Tax Exempt Bonds. The Company's obligation to repay the issuing authority may be direct, through a secured or unsecured loan agreement between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company's obligations on the Tax Exempt Bonds. The Company's direct obligation under a loan agreement with the authority may be insured by a third party or secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

(iv) Capital Lease Obligations

The Company proposes to enter into capital lease obligations ("Capital Leases"), under which it will utilize Capital Leases as another form of financing the Company's capital requirements. The Capital Leases will have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost of financing property acquisitions.

Capital Leases may be used to finance the acquisition of new property, including in connection with construction of new electric plant, or refinancing of existing utility property, in order to optimize the cost of financing commensurate with such property's expected life. The property expected to be leased will consist of equipment used in the Company's operations including, but not limited to, meters, landfill and coal yard heavy equipment, transportation equipment, turbines, transformers, water pumps, exhaust stacks, substations, computers and office equipment, and intangible property such as software and site licenses (collectively, the "Property").

The amount financed under each Capital Lease, excluding transaction costs, is not expected to be more than the net capitalized cost of the Property or the appraised value of the Property (in the event more than the capitalized cost is financed).

In accordance with generally accepted accounting principles, the net capitalized cost of property usually includes installation, training, allowance for funds, administrative overhead and other costs capitalized in connection with acquiring and placing the property in service. Such costs are expected to be included in the Property cost financed under each Capital Lease.

To effectuate Capital Lease transactions, the Company will obtain third-party lease financing for the original purchase or refinancing of Property acquisitions, and an agreement will be executed with a financing counterparty (the "Lessor") setting forth the terms of each Capital Lease.

As part of the consummation of a Capital Lease transaction, the Lessor will typically either (1) pay the vendor and the Company for their respective costs associated

with the Property acquisition or (2) reimburse the Company for the capitalized cost of the Property, with the Company concurrently paying the vendor the invoice cost.

The Company may enter into one or more participation agreements with its affiliates and the Lessor in connection with the Capital Leases, with such agreements defining the Company's role as principal and, as applicable, agent on behalf of its affiliates for billing and payment remittance purposes. Such arrangements will be undertaken solely for administrative efficiencies and the convenience of the parties involved and will be subject to applicable standards relating to transactions among affiliates.

At the end of each initial or renewal lease term, it is anticipated that the Company will have an option to either (a) renew each Capital Lease pursuant to arm's-length negotiation with the Lessor or other potential lessors, (b) purchase the Property, or (c) terminate the Capital Lease.

(v) Interest Rate Management Agreements

The Company states that while it is unclear whether or not such activities constitute the issuance of securities within the meaning of S.C. Code Section 58-27-1710, the Company nevertheless has requested that the Commission grant it authority to utilize interest rate management techniques and enter into Interest Rate Management Agreements to manage its interest costs.

Interest Rate Management Agreements will include products commonly used in today's capital markets. These products include, but are not limited to, interest rate swaps, caps, collars, floors, options, or other hedging products such as forwards or

futures. The Company expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated notional amount and may be entered into in connection with underlying fixed or variable obligations of the Company.

The Company will establish pricing for Interest Rate Management Agreements through negotiated offerings, through a competitive bidding process, or otherwise in accordance with recognized market practices.

The notional amount of any given Interest Rate Management Agreement will correspond to all or a portion of a current or future debt security authorized by Commission order. Therefore, entry into a given Interest Rate Management Agreement itself will not reduce the amount of "shelf" authority under such Commission order.

To the extent the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company will sell the Proposed Securities during the effective period of a "shelf" registration statement which the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities. The Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. The Company will determine which sales method and financial institution(s) will provide the best service and reasonable terms to the Company for any issuance and sale of the Proposed Securities. Certain types

of the Proposed Securities, such as bank borrowings, capital leases and interest rate management agreements, are not typically "sold" in a public or private offering.

5. The authority requested by the Company is to replenish the authority previously granted under the Commission's Order No. 2009-33 in Docket No. 2008-427-E, of which $3,598,485,000 has been utilized. The Company has requested that the remaining authority granted in such docket be terminated upon the Commission's granting of the authority requested in this docket.

6. The Company will pay no fee for services (other than attorneys, accountants, trustees, rating agencies and fees for similar technical services) in connection with the negotiation and consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons).

7. Proceeds from issuance of the Proposed Securities may be used for (a) the purchase or redemption of the Company's outstanding higher cost or higher risk securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction, as further described in Section 9 hereof (including the acquisition of nuclear fuel) or (d) the Company's general purposes, however, no such proceeds will be used for the purpose of meeting the funding needs of any of the Company's affiliates except as allowed under the Money Pool Agreement approved by the Commission in Order No. 2013-37, Docket No. 2011-158-E. In each case, such proceeds may be used for the repayment of short-term debt incurred for such purposes.

8. When the net proceeds from the issuance of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured debt securities, such issuances will be made from time to time when market conditions permit, on terms which would result in a lower cost of money or reduced risk (e.g., elimination of penalty floating-rates on certain tax-exempt bonds) to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in Company's rate base as a component of working capital. As previously noted, the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose.

9. The Company is continuing its construction program of additions to its electric generation, transmission and distribution facilities in order to, among other things, (i) meet the long-term expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, and (iii) conduct necessary replacements of major generating plants and plant components and transmission and distribution facilities.

The Company connected approximately 15,000 new customers in 2013 and continues to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

The Company's electric energy sales for 2013 were approximately 60 million megawatt hours and for 2012 were approximately 58 million megawatt hours. Sufficient financing of its current construction program is essential if the Company is to continue to be able to meet its

obligations to the public to provide adequate and reliable electric service. The Company's capital expenditures were $1.6 billion for 2013 and $1.5 billion for 2012.

The Company's plans include incurring significant capital expenditures for maintenance and expansion of its existing generation plants and transmission and distribution system as well as nuclear fuel. During the period 2014 through 2016, the Company forecasts to invest approximately $4.4 billion in its electric plant. Adequate financing authority as applied for in this docket will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

The purposes of the issuance, sale, and/or incurrence of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations, and as set forth in its Restated Charter, which is on file with this Commission. For the reasons set forth above, the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

10. The financial condition of the Company and its results of operations are shown by the Company's Annual Reports to the Commission and by other records of the Commission relating to the Company.

WHEREUPON, the Commission reaches the following:

## CONCLUSIONS

Based upon the foregoing Findings of Fact and the entire record in this proceeding, the Commission is of the opinion and so finds and concludes that the transaction or transactions herein proposed:

(i) Are for a lawful object within the corporate purposes of the Company;

(ii) Are compatible with the public interest;

(iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;

(iv) Will not impair the Company's ability to perform its public service; and

(v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED, that the Company is hereby authorized, empowered and permitted to:

1. Issue and sell up to $3,000,000,000 aggregate principal amount of all or any combination of the "Proposed Securities" pursuant to the terms and conditions described herein at such times as the Company may deem necessary or advisable;
2. Execute, deliver and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or transactions; and
3. Use the net proceeds of such sales for its ongoing construction and maintenance program, to refund, repurchase, redeem, reduce or retire outstanding indebtedness and for other general corporate purposes.

IT IS FURTHER ORDERED, that:

4. Approval of this Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances;
5. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law; and
6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION

This the _____day of _____, 2014.

_____
_____, Chairman

ATTEST:

_____

(SEAL)