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DUKE ENERGY
FLORIDA

Matthew R. Bernier
Associate General Counsel
Duke Energy Florida, LLC

September 1, 2020

VIA HAND DELIVERY

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED-FPSC
2020 SEP -1 PM 3:03
COMMISSION
CLERK

Re: *Application of Duke Energy Florida, LLC for authority to issue and sell securities during the twelve months ending December 31, 2021; Undocketed*

Dear Mr. Teitzman:

Enclosed for filing on behalf of Duke Energy Florida, LLC ("DEF"), are the original, one copy and a copy on disc of Duke Energy's Florida LLC's Application for Authority to Issue and Sell securities during the twelve months ending December 31, 2021.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/Matthew R. Bernier
Matthew R. Bernier

MRB/mw
Enclosures

COM ___
AFD 1 application packet & 1 DVD
APA ___
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DOCKET NO.__________

FLORIDA PUBLIC SERVICE COMMISSION

TALLAHASSEE, FLORIDA

APPLICATION OF

DUKE ENERGY FLORIDA, LLC

FOR AUTHORITY TO ISSUE AND SELL

SECURITIES DURING THE TWELVE MONTHS ENDING DECEMBER 31, 2021

PURSUANT TO SECTION 366.04, FLORIDA STATUTES,

AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE

Address communications in connection with this Application to:

Karl W. Newlin
Treasurer
Duke Energy Florida, LLC
c/o Duke Energy Corporation
550 South Tryon Street
Charlotte, NC 28202

Matthew R. Bernier
Associate General Counsel
Duke Energy Florida, LLC
106 E. College Ave.,
Suite 800
Tallahassee, FL 32301

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF DUKE ENERGY FLORIDA, LLC
FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING
THE TWELVE MONTHS ENDING DECEMBER 31, 2020
PURSUANT TO SECTION 366.04, FLORIDA STATUTES, AND CHAPTER
25-8, FLORIDA ADMINISTRATIVE CODE.

The Applicant, Duke Energy Florida, LLC ("DEF" or the "Company"), respectfully requests authority from the Florida Public Service Commission (the "Commission") to issue, sell or otherwise incur during 2021 up to $1,500,000,000 of any combination of equity securities and long-term debt securities and other long-term obligations (exclusive of bank loans issued under the Company's long-term credit facilities as mentioned below). Additionally, the Company requests authority to issue, sell or otherwise incur during 2021 and 2022 up to $1,500,000,000 outstanding at any time of short-term debt securities and other obligations, which amount shall be in addition to and in excess of the amount the Company is authorized to issue pursuant to Section 366.04, Florida Statutes, which permits the Company to issue short-term securities aggregating to not more than five percent of the par value of the Company's other outstanding securities. Short-term borrowings under this authority would most likely consist of borrowings under the utility money pool and/or master credit facility in which DEF is a participant along with the other utility subsidiaries of Duke Energy Corporation, or through direct, pre-payable bank loans.

In furtherance of this request for authority pursuant to Section 366.04, Florida Statutes, the Company submits the following information in the manner and form described in Chapter 25-8, Florida Administrative Code, including the required Exhibits A – C. In Order No. PSC-13-0193-PAA-EI issued May 6, 2013, the Commission required DEF to submit a Risk Management Plan for its interest rate derivative agreements (the "Plan") with its annual petition to issue securities. The Plan is included in this petition as Exhibit D.

CONTENTS OF APPLICATION

(1) The exact name of the Company and address of its principal business office is as follows:

Duke Energy Florida, LLC
299 First Avenue North
St. Petersburg, FL 33701

(2) The Company was incorporated in Florida in 1899 and reincorporated in Florida in 1943. The Company is continuing its corporate existence pursuant to its Amended Articles of Incorporation (the "Articles of Incorporation"), a copy of which was filed as Exhibit A to the Application of Florida Power Corporation for Authority To Issue And Sell Securities During The Twelve Months Ending December 31, 1994 (Docket No. 931029-EI) and is incorporated herein by reference. On February 6, 2013, the Company filed a subsequent amendment to its Articles of Incorporation which, effective April 29, 2013, changed the Company's name to Duke Energy Florida, Inc. On July 31, 2015, the Company filed Articles of Conversion and Articles of Organization which, effective August 1, 2015, converted the Company to a Florida limited liability corporation and changed the Company's name to Duke Energy Florida, LLC. The Company is an indirect, wholly-owned subsidiary of Duke Energy Corporation ("Duke Energy"). The Company's financial statements and schedules required under Sections 25-8.003(1)(a)-(b), Florida Administrative Code, are incorporated herein or filed herewith as Exhibits A(6)(i) and (ii) and B(1) and (2), respectively.

(3) The name and address of the persons authorized to receive notices and communications with respect to this Application are as follows:

Karl W. Newlin
Treasurer
Duke Energy Florida, LLC
c/o Duke Energy Corporation
550 South Tryon Street
Charlotte, NC 28202

Dianne M. Triplett
Deputy General Counsel
Duke Energy Florida, LLC
299 First Avenue North
St. Petersburg, FL 33701

Matthew R. Bernier
Associate General Counsel
Duke Energy Florida, LLC
106 E. College Ave, Suite 800
Tallahassee, FL 32301

(4) (a) A statement detailing information concerning each class and series of the Company's capital stock and long-term debt is contained in Exhibit C to this Application.

(b) The amount held as reacquired securities: The Company currently holds $209 million in pollution control or solid waste disposal bonds issued by Citrus County, Florida, which were originally offered and sold to the public. Citrus County loaned the proceeds of such sale to the Company in return for its obligation to pay interest and principal upon the bonds. The Company may choose to resell such bonds to the public in the future prior to their maturity. From time to time, the Company has redeemed certain outstanding first mortgage bonds and shares of its cumulative preferred stock, but such bonds and shares are canceled upon redemption or reacquisition.

(c) The amount pledged by the applicant: From time to time, the Company issues first mortgage bonds that are secured by the lien of its Indenture, dated as of January 1, 1944 with The Bank of New York Mellon (formerly JPMorgan Chase Bank, N.A.) as successor trustee, as supplemented by supplemental indentures (the "Mortgage"). The Mortgage constitutes a first mortgage lien, subject only to permitted encumbrances and liens, on substantially all of the fixed properties owned by the Company except miscellaneous properties that are specifically excepted. After-acquired property is covered by the lien of the Mortgage, subject to existing liens at the time such property is acquired.

(d) The amount owned by affiliated corporations: All of the Company's outstanding LLC membership interests are owned by the Company's parent, Florida Progress Corporation. The Company has no other equity or debt owned by affiliated corporations. See section (10) hereof.

(e) The amount held in any fund: None.

(5) The Company seeks authority to issue and sell and/or exchange equity securities and issue, sell, exchange and/or assume short-term or long-term debt securities and/or to assume liabilities or obligations as guarantor, endorser or surety during the period covered by the Application. The Company ultimately may issue any combination of the types of securities described below, subject to the aggregate dollar limitations requested in this Application.

(a)(1) The kind and the nature of the securities that the Company seeks authority to issue and sell during 2021 (and 2022 with respect to short-term debt securities and obligations) are equity securities and short-term and long-term debt securities and other obligations, including, but not limited to, borrowings from banks that are participants in credit facilities the Company may establish from time to time, uncommitted bank facilities, and affiliate loans which are available through the utility money pool. The Company also seeks authority to enter into interest rate derivative contracts intended to reduce financial risk, and/or costs associated with its existing and future debt obligations.

The equity securities that the Company may issue include newly issued classes of LLC membership interests or warrants, options or rights to acquire such securities, or other equity securities, with such terms and conditions, and relative rights and preferences as are deemed appropriate by the Company and permitted by its LLC agreement, as they may be amended from time to time.

Short-term debt securities and obligations may include loans from affiliates (via the moneypool or other means) and bank loans, credit agreements, or other forms of securities and debt obligations, with maturities of less than one year.

The long-term debt securities and obligations may take the form of first mortgage bonds, debentures, medium-term notes or other notes, loans from affiliates and bank loans, installment contracts, credit agreements, securitization of storm cost and other receivables or other forms of securities and debt obligations, whether secured or unsecured, with maturities greater than one year. In addition, the Company may enter into options, rights, interest rate swaps, or other derivative instruments. The Company also may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the State of Florida or pledge debt securities or issue guarantees in connection with such political subdivisions' issuance, for the ultimate benefit of the Company, of pollution control revenue bonds, solid waste disposal revenue bonds, industrial development revenue bonds, variable rate demand notes, or other "private activity bonds" with maturities ranging from one to forty years, or bond anticipation notes. Such obligations may or may not bear interest exempt from federal tax.

The Company also may enter into various agreements that provide financial or performance assurances to third parties. These agreements include guarantees, standby letters of credit, and surety bonds. Specific purposes of the agreements include supporting payments of trade payables, securing obligations under private activity bonds, securing performance under contracts and lease obligations, providing workers' compensation coverage, obtaining licenses, permits, and rights of way, and supporting other payments that are subject to contingencies.

The manner of issuance and sale of securities will be dependent upon the type of securities being offered, the type of transaction in which the securities are being issued and sold, and market conditions at the time of the issuance and sale. Securities may be issued through negotiated underwritten public offerings, public offerings at competitive biddings, private sales or sales through agents, and may be issued in both domestic and foreign markets. Credit agreements may be with banks or other lenders.

(a)(2) Contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders under the Company's credit facilities, as those may be entered into and amended from time to time. As of August 1, 2020 the Company has an $800 million borrowing sublimit under Duke Energy's approximately $8.0 billion master credit facility with a group of banks. Duke Energy Florida's maximum borrowing sublimit under the master credit facility is $1.2 billion; such an increase may be done to increase liquidity and financial flexibility for DEF. Borrowings under the facility are available for general corporate purposes. The current five-year facility will expire on March 16, 2025.

(b) The maximum principal amount of short-term securities and obligations proposed to be issued, sold, or otherwise incurred during 2021 and 2022 is $1.5 billion outstanding at any time, including bank loans or money pool borrowings, which amount shall be in addition to and in excess of the amount the Company is authorized to issue pursuant to Section 366.04, Florida Statutes, which permits the Company to issue short-term securities aggregating not more than five percent of the par value of the Company's other outstanding securities. The maximum principal amount of equity securities, long-term debt securities and other long-term obligations (exclusive of bank loans issued under the Company's long-term credit facilities as mentioned above) proposed to be issued, sold, or otherwise incurred during 2020 is $1.5 billion.

In connection with this Application, the Company confirms that the capital raised pursuant to this Application will be used in connection with the regulated activities of the Company and not the unregulated activities of its unregulated affiliates.

The Company will file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the close of the 2021 calendar year to report any securities issued during that year and to report the interest rate hedging activities for the previous year per Florida Public Service Commission Order No. PSC-13-0193-PAA-EI.

(c) The Company's current estimate of the potential range of interest rates for securities proposed to be issued by the Company is as follows:

1.	10-year to 30-year A- rated senior unsecured debt:	2.00% – 3.50%
2.	10-year to 30-year A rated first mortgage bonds:	1.75% – 3.25%
3.	Borrowings through the Duke Energy utility money pool:	0.25% – 1.75%
4.	Accounts receivable securitized debt:	1.50% – 3.00%

The actual rates to be paid by the Company on securities issued will be determined by the market conditions at the time of issuance.

(6) The net proceeds to be received from the sale of the additional securities will be added to the Company's general funds and may be used to provide additional electric facilities

during 2021 pursuant to the Company's construction program, to repay maturing long-term debt or short-term debt, to refund, retire or redeem existing obligations, or for other corporate purposes.

A more detailed statement of the Projected Sources and Uses of Funds during 2021 is included as Exhibit B(1) attached hereto. The Company's construction program is developed from its long-range plan to determine needed capital investments. While the final 2021 construction budget is not yet available, the Company's most recently approved construction expenditures forecast for 2021, excluding Allowance for Funds Used During Construction ("AFUDC"), is approximately \$2.2 billion, as further described in Exhibit B(2) attached hereto. These construction estimates are subject to periodic review and revision to adjust for changes in such factors as economic conditions, environmental requirements, regulatory matters and customer usage patterns.

(7) Based on the reasons shown in sections (5) and (6) above, the Company submits that the proposed financings are consistent with proper performance by the Company of its service as a public utility, will enable and permit the Company to perform that service, are compatible with the public interest and are reasonably necessary and appropriate for such purposes.

(8) Dianne M. Triplett, Deputy General Counsel for the Company, or her duly appointed successor, will pass upon the legality of the securities involved herein. Her office address is:

Duke Energy Florida, LLC
299 First Avenue North
St. Petersburg, FL 33701

(9) Except for those issuances of securities that are exempt from the registration requirements of the Securities Act of 1933, the issue and sale of the various securities involved

herein will require the filing of Registration Statements with the United States Securities and Exchange Commission ("SEC"), 100 F Street, NE, Washington, D.C. 20549. A copy of each Registration Statement that has been or will be filed with the SEC will be included in the Company's annual Consummation Report relating to the sale of securities registered thereunder. No other state or federal regulatory body has jurisdiction over the transactions proposed herein, although certain state securities or "blue sky" laws may require the filing of registration statements, consents to service or process or other documents with applicable state securities commissions, including in particular the Florida Division of Securities, 200 E. Gaines Street, Tallahassee, FL 32399; the Nevada Department of State, Securities Division, 555 East Washington Avenue, Suite 5200, Las Vegas, NV 89101; the New York State Office of the Attorney General, Investor Protection Bureau, 120 Broadway, 23rd Floor, New York, NY 10271; and the Oregon Department of Consumer & Business Services, Division of Finance and Corporate Securities, 350 Winter St. NE, Room 410, Salem, OR 97301.

(10) The Company does not exercise control or ownership over any other public utility, nor does any other public utility exercise control or ownership over the Company. The Company is an indirect wholly owned subsidiary of Duke Energy, which also directly or indirectly owns the public utility subsidiaries listed below:

Duke Energy Carolinas, LLC

Duke Energy Progress, LLC

Duke Energy Indiana, LLC

Duke Energy Ohio, Inc.

Duke Energy Kentucky, Inc.

Piedmont Natural Gas Company, Inc.

(11) The following Exhibits are filed herewith and made a part hereof:

Exhibit A (6)(i)	The financial statements and accompanying footnotes as they appear in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, and filed with the SEC on February 20, 2020.[1]
Exhibit A (6)(ii)	The financial statements and accompanying footnotes as they appear in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, and filed with the SEC on August 10, 2020[1]
Exhibit B(1)	Projected Sources and Uses of Funds Statement for 2021.
Exhibit B(2)	Preliminary Construction Expenditures for 2021.
Exhibit C	Capital Stock and Long-Term Debt of the Company as of June 30, 2020.
Exhibit D	Interest Rate Derivative Agreement Risk Management Plan, as required by Order No. PSC-13-0193-PAA-EI issued May 6, 2013.

WHEREFORE, the Company hereby respectfully requests that the Commission enter its Order approving this Application for authority to issue and sell securities during the twelve months ending December 31, 2021 and, more specifically, to order that:

(a) The request of Duke Energy Florida, LLC to issue and sell securities during the twelve months ending December 31, 2021, pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code (the "Application"), is granted.

(b) Duke Energy Florida, LLC is authorized to issue, sell, or otherwise incur during 2021 up to $1.5 billion of any combination of equity securities and long-term debt securities and other long-term obligations (exclusive of bank loans issued under the

[1] Pursuant to Rule 25-8.010, Florida Administrative Code, Exhibits A(6)(i) and (ii) are omitted from the filed Application and incorporated herein by reference.

Company's long-term credit facilities as mentioned above). Additionally, the Company requests authority to issue, sell or otherwise incur during 2021 and 2022 up to $1.5 billion outstanding at any time of short-term debt securities and other obligations, which amount shall be in addition to and in excess of the amount the Company is authorized to issue pursuant to Section 366.04, Florida Statutes, which permits the Company to issue short-term securities aggregating to not more than five percent of the par value of the Company's other outstanding securities.

(c) The kind and nature of the securities that Duke Energy Florida, LLC is authorized to issue during 2021 (and 2022 with respect to short-term debt securities and obligations) are equity securities and short-term and long-term debt securities and other obligations, as set forth in the Company's Application.

(d) Duke Energy Florida, LLC shall file a Consummation Report in accordance with Rule 25-8.009, Florida Administrative Code, and Florida Public Service Commission Order No. PSC-13-0193-PAA-EI within 90 days after the close of the 2021 calendar year.

[The remainder of this page was intentionally left blank.]

Respectfully submitted,

DUKE ENERGY FLORIDA, LLC

By:____________________________

Karl W. Newlin
SVP Corporate Development and Treasurer

[Signature page for Duke Energy Florida, LLC's 2021 Application for Authority to Issue and Sell Securities]

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

CERTIFICATION OF APPLICATION AND EXHIBITS

Each of the undersigned, Karl W. Newlin and Dwight L. Jacobs, being first duly sworn, deposes and says that they are the Senior Vice President Corporate Development and Treasurer and Senior Vice President, Chief Accounting Officer, Tax and Controller, respectively, of Duke Energy Florida, LLC, the Applicant herein; that they have read the foregoing Application and exhibits of said Duke Energy Florida, LLC and knows the contents thereof; and certifies that the same are true and correct to the best of their knowledge and belief.

Karl W. Newlin
SVP Corporate Development and Treasurer

Dwight L. Jacobs
SVP, Chief Accounting Officer, Tax and Controller

Exhibit B(1)

DUKE ENERGY FLORIDA, LLC
PROJECTED SOURCES AND USES OF FUNDS
(In Millions)

		12 Months Ending December 31, 2021
OPERATING ACTIVITIES	$	1,819
INVESTING ACTIVITIES:		
Construction Expenditures		(2,180)
Other Investing Activities		(114)
Total		(2,294)
FINANCING ACTIVITIES:		
Issuance of Long-Term Debt *		1,000
Retirement of Long-Term Debt *		(500)
Increase in Short-Term Debt **		(18)
Dividends Paid to Parent		-
Total		482
TOTAL INCREASE (DECREASE) IN NET CASH	$	7

* Amounts subject to change as we maintain flexibility for varying market conditions or business plans changes.

** Short-Term Debt amount represents money pool payable & Transmission interconnection notes payable

Exhibit B(2)

DUKE ENERGY FLORIDA, LLC
PROJECTED CONSTRUCTION EXPENDITURES FOR 2021
(In Millions)

BUDGET CLASSIFICATION	**PRELIMINARY BUDGET**
EXPANSION	1,510
MAINTENANCE	595
ENVIRONMENTAL	65
TOTAL DIRECT CAPITAL EXPENDITURES	**2,170**
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	10
TOTAL CAPITAL EXPENDITURES	**2,180**

Exhibit C

DUKE ENERGY FLORIDA, LLC
CAPITAL STOCK AND LONG-TERM DEBT
As of June 30, 2020

Title of Class	Shares Authorized	Shares Outstanding	Amount Outstanding
Common Stock without par value	N/A	N/A	N/A
First Mortgage Bonds:			
3.10% Series, due 2021			300,000,000
3.20% Series, due 2027			650,000,000
3.80% Series, due 2028			600,000,000
2.50% Series, due 2029			700,000,000
1.75% Series, due 2030			500,000,000
5.90% Series, due 2033			225,000,000
6.35% Series, due 2037			500,000,000
6.40% Series, due 2038			1,000,000,000
5.65% Series, due 2040			350,000,000
3.85% Series, due 2042			400,000,000
3.40% Series, due 2046			600,000,000
4.20% Series, due 2048			400,000,000
Total First Mortgage Bonds Outstanding			$ 6,225,000,000
Capital Leases:			
Shady Hills, matures 2027			63,353,202
Florida Regional Headquarters, matures 2047			27,034,182
Total Capital Leases Outstanding			$ 90,387,384
Senior Unsecured Notes:			
Variable Rate Debt due 2021			200,000,000
Total Senior Unsecured Notes Outstanding			$ 200,000,000

Medium Term Notes:	
6.75%, due 2028	150,000,000
Total Medium Term Notes	$ 150,000,000
Accounts Receivable Securitizations:	
Accounts Receivable Securitizations	250,000,000
Total Accounts Receivable Securitizations	$ 250,000,000
Other Long-Term Obligations:	
FERC Large Generator Interconnection Agreement	13,041,726
Total Other Long-Term Debt	$ 13,041,726
Total Long-Term Debt Outstanding	$ 6,928,429,110
Duke Energy Florida Project Finance	
Secured Notes:	
1.731% Series, Due 2022	133,721,958
2.538% Series, Due 2029	436,000,000
2.858% Series, Due 2033	250,000,000
3.112% Series, Due 2036	275,290,000
Total Duke Energy Florida Project Finance	$ 1,095,011,958
Total Long-Term Debt Outstanding, including DEF Project Finance	$ 8,023,441,068

Note: The total long-term debt outstanding amount excludes unamortized debt issuance costs and any unamoritized discounts or premiums paid. These costs would be included in the long-term debt amount reported in the 2nd quarter financial statements.

Exhibit D

Duke Energy Florida
Risk Management Plan for
Interest Rate Derivatives
For 2021

Duke Energy Florida (DEF or the Company) is submitting its 2021 Risk Management Plan for Interest Rate Derivatives ("Risk Management Plan") for review by the Florida Public Service Commission (FPSC). This Risk Management Plan includes the required items as outlined in Order No. PSC-13-0193-PAA-EI.

Several groups play key roles in the management, execution, and monitoring of the activities outlined in DEF's Risk Management Plan. These groups consist of Corporate Treasury, which includes Corporate Finance and Cash Management; Global Risk Management, which includes Enterprise and Regulated Electric and Credit Risk (Risk Management); the Corporate Controller's Group including Accounting Research; and Internal Audit. The activities supported by these groups include the following: managing DEF's mix of floating rate and fixed rate debt, executing DEF's interest rate hedging strategy, performing deal confirmations, performing deal valuations, conducting quarterly sensitivity analysis, performing settlements under the various derivative agreements, reviewing potential derivative transactions, conducting hedge effectiveness testing, monitoring and reporting counterparty credit exposure, preparing journal entries to account for interest rate derivative activities, and performing audits.

Based on the June 30, 2020 financial statements, DEF's outstanding debt and interest rate derivatives were as follow:

- Total long-term debt: $7.951 billion (includes $1.082 billion of Duke Energy Florida Project Finance long-term debt)
- Total Outstanding interest rate derivatives: None

Item 1. Identify the Company's overall quantitative and qualitative Interest Rate Risk Management Plan Objectives.

Interest rate risk is defined as the impact on Duke Energy earnings per share and asset returns from interest rate market movements. The goal of the interest rate risk management program at DEF is to maximize access to capital in a cost effective manner within the constraints of the financial markets. This may include, but is not limited to, managing the interest rate on current or future debt issuances as well as managing the mix of fixed and floating rate debt. Interest rate exposure is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates.

According to the Financing Activity and Financial Risk Management Policy, DEF may enter into financial derivative instruments, including, but not limited to, interest rate swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. Additionally, in anticipation of certain fixed-rate debt issuances, forward starting interest rate swaps may be executed to lock in components of the market interest rates and then terminated prior to or upon the issuance of the corresponding debt.

Item 2. Identify and quantify each risk, general and specific, that the Company may encounter when seeking a fixed rate through interest rate hedging.

Corporate Treasury has identified specific risks associated with DEF's interest rate hedging activities. The specific risks include market liquidity risk, interest rate volatility, and credit risk. Described below are the specific risks to which DEF is exposed and the activities that Corporate Treasury undertakes to manage overall exposure to these risks.

- Market liquidity - The ability to issue debt or enter into risk mitigating strategies is dependent on market conditions. There can be times in the financial markets when it is not possible to issue debt or to enter into strategies to manage risk. Such events typically are driven by global economic events. Corporate Treasury manages its market liquidity risk by actively monitoring market conditions with its internal and external counterparts, balancing the level of maturities over time, and preparing to issue debt in advance of maturities in order to manage access to market capital.

- Interest rate volatility - While interest rates will move up and down during the life of a hedge, increasing or decreasing the fair value of the hedge, DEF is focused on executing the hedged fixed rate debt issuance according to plan, therefore ensuring the hedge is effective. In addition, DEF limits the amount of outstanding floating rate debt to ensure low interest volatility. Quarterly, Corporate Finance conducts a sensitivity analysis on the potential effect of an average 1% increase (+) or decrease (-) in market interest rates on DEF's pre-tax net income. As of June 30, 2020, the impact would be +/- $6.2M.

- Counterparty credit risk - Entering into hedging transaction creates the potential for counterparty credit risk. Risk Management reviews the creditworthiness of hedging counterparties prior to entering into new master agreements for hedging purposes. The credit exposure of DEF's hedge counterparties is reviewed by Risk Management on a quarterly basis. Additionally, Risk Management provides Corporate Treasury with probabilities of default based on the hedging counterparty's external credit rating for use in deriving an appropriate credit adjustment to the initial credit valuation.

Item 3. Describe the Company's oversight of its interest rate hedging activities.

Several groups play key roles in the management, monitoring, and execution of the activities outlined in the Risk Management Plan. These groups consist of Corporate Treasury including Corporate Finance and Cash Management, Risk Management, Corporate Controller's Group including Accounting Research, and Internal Audit. The activities supported by these groups include risk designs and implementations, transaction monitoring and valuations, credit assessments, accounting research and entry bookings, and reporting.

Corporate Treasury is responsible for financing activity and related financial risk management throughout the corporation. Financial risk management includes, but is not limited to, interest rate risk management. Interest rate risk management activities must comply with the Financing Activity and Financial Risk Management Policy as well as the Delegation of Authority Policy (DOA) and Approval of Business Transactions Policy (ABT). Any exceptions to the policies must be approved by the Corporate Treasurer and the Corporate Chief Financial Officer.

The Financing Activity and Financial Risk Management Policy authorizes Corporate Treasury to use derivative financial instruments to manage the interest rate risk associated with outstanding debt or to hedge interest rate risk associated with new debt issuances. All interest rate activity with third parties is executed solely by or in coordination with Corporate Treasury's Corporate Finance group and requires approval according to the enterprise-wide Delegation of Authority tool as defined by the DOA Policy. Speculation in interest rate transactions is prohibited.

All potential derivative activity is reviewed by Accounting Research prior to execution by Corporate Finance; information is sent and received electronically and maintained in transaction files for audit purposes.

The Financing Activity and Financial Risk Management Policy requires that all interest rate derivative transactions be confirmed by the external counterpart with whom the transaction was executed.

Within 24 hours of trade execution all interest rate derivative transactions are verbally or electronically confirmed with the external counterparty as required by the Financing Activity and Financial Risk Management Policy. Any official bank confirmation, if applicable, is signed by an individual within Corporate Treasury authorized to trade under the Delegation of Authority tool, but who did not execute the referenced transaction. Transaction confirmations are maintained by Corporate Finance as part of the transaction file.

Quarterly, Corporate Finance downloads or records market valuations or rates from Bloomberg, or other market sources if necessary, as of the final working day of the previous quarter. Existing positions are marked-to-market using Excel, Bloomberg, or via financial institution reports. Corporate Finance sends these derivative mark-to-market (MTM) valuations to Risk Management, Accounting, and senior Treasury Management on a quarterly basis.

These derivative valuations are used by Risk Management to monitor and report on counterparty credit exposure as part of their quarterly enterprise credit exposure reporting discussed above in Item 2.

Accounting is responsible for preparing the quarterly journal entries to account for interest rate derivative activities and performing any compliance activities as defined and/or required by various regulatory agencies (e.g. Securities and Exchange Commission (SEC), Financial Accounting Standards Board (FASB), Federal Energy Regulatory Commission (FERC), and the FPSC). If applicable, effectiveness testing is executed on a quarterly basis for positions requiring such testing by Corporate Accounting Research.

Annually, internal audits are conducted to ensure that interest rate risk management activities have complied with the Financing Activity and Financial Risk Management Policy, the DOA Policy, and ABT Policy and that any exceptions to these policies have been properly approved by the Corporate Treasurer and the Corporate Chief Financial Officer. Additionally, the Company's external auditors review derivative valuations on a quarterly basis in connection with their independent audit of the financial statements taken as a whole.

Item 4. Verify that the Company monitors its interest rate hedging activities with independent and unavoidable oversight.

In addition to the oversight outlined in Item 3, Sarbanes-Oxley (SOX) controls are in place ensuring all interest rate derivative hedges are reviewed, executed, and valued according to policy. SOX controls are independently tested by both internal and external audits for effectiveness. The SOX controls for interest rate derivative activity are as follows:

- The Financing Activity and Financial Risk Management Policy outlines parameters around interest rate risk management activity.

- Only individuals identified in the Delegation of Authority tool are authorized to enter into or confirm interest rate transactions.

- Corporate Treasury and Corporate Accounting Research review derivative transactions that may require hedge designation.

- Following Corporate Treasury transaction execution, Corporate Treasury records the details of the transaction on a standardized trade ticket.

- Within 24 hours of execution trades must be verbally or electronically confirmed with the dealing bank by an individual authorized to trade who did not execute the referenced transaction. This may include e-mail confirmation. The written confirmation received from the bank must be signed by the Treasurer or Assistant Treasurer. The signer must not have executed or verbally/electronically confirmed the referenced transaction.

- Corporate Treasury downloads or records market valuations or rates from Bloomberg, or other market sources if necessary, as of the final working day of the previous quarter. Existing positions are marked-to-market using Excel, Bloomberg, or via financial institution reports.

- Trade valuations are transmitted to the relevant corporate and business unit accountants.

- If applicable, effectiveness testing is executed on a quarterly basis for positions requiring such testing by Corporate Accounting Research.

These SOX controls are reviewed annually by Corporate Finance and reaffirmed with Corporate Accounting Services to ensure that the controls in place continue to fit the activities being monitored.

Item 5. Describe the Company's corporate risk policy regarding interest rate hedging activities.

Speculation in interest rate transactions is prohibited.

Financing and financial risk management activities must comply with the Financing Activity and Financial Risk Management Policy (as well as the Delegation of Authority tool). Exceptions to the policy must be approved by the Corporate Treasurer and the Corporate Chief Financial Officer (CFO).

Item 6. Verify that the Company's corporate risk policy clearly delineates individual and group transaction limits and authorizations for all interest rate hedging activities.

The Duke Energy Delegation of Authority Policy clearly delineates transaction limits and authorizations for all interest rate hedging activities. An internal Delegation of Authority tool allows easy access for all employees to effectively access authorization levels. The Delegation of Authority Policy and tool in conjunction with the Financing Activity and Financial Risk Management Policy provide strong oversight, governance, and controls on all interest rate risk management activities.

Item 7. Describe the Company's strategy to fulfill its risk management objectives.

In order to successfully fulfill the objectives of managing current and future debt issuances as well as managing the mix of fixed and floating-rate debt, interest rate risk strategy and implementation is executed by experienced professionals who conduct and execute their activities to achieve the objectives of the plan. A key part of this role is using market knowledge when analyzing the available market tools and calculating and receiving competitive pricing.

The Risk Management Plan is governed by strong corporate policies and controls and subject to internal and external audits. Strong processes, policies, and controls combined with appropriate organizational design and strong deal approval requirements all support and optimize prudent interest rate risk management effectiveness.

Item 8. Verify that the Company has sufficient policies and procedures to implement its strategy.

DEF maintains sufficient policies and processes to implement its strategy.

The key governing policies and procedures under which interest rate risk management operates are as follow:

- Financing Activity and Risk Management Policy
- Delegation of Authority Policy and tool
- Sarbanes-Oxley Interest Rate Risk Management Narrative, including key controls
- Derivative Transactions Governance Policy; and

- Approval of Business Transactions Policy

Item 9. Describe the Company's reporting system for interest rate hedging.

DEF's reporting system is as follows:

- All swaps are marked-to-market via two sources: internal (Bloomberg) and external (counterparts).

- The mark-to-market valuations are input into an Excel file by an individual in Corporate Treasury on a quarterly basis.

- Quarterly, Risk Management provides Corporate Treasury with probabilities of default based on the counterparty's external credit rating for use in deriving the credit adjusted valuation.

- The file is then validated by another authorized individual within Corporate Treasury.

- After the file is reviewed, it is sent to senior Treasury management, Accounting, and Risk Management.

- Accounting reviews the document and uses the information for its external reporting. Accounting records transactions as assets or liabilities in Accounts 182.3 and 254, respectively.

- External auditors review supporting documentation during their audit processes.

Item 10. If the Company has current limitations implementing certain hedging techniques that, if removed, would provide a net benefit to rate payers, provide a plan detailing the resources, policies, and procedure for acquiring the ability to effectively use the hedging techniques.

DEF does not believe there are any current limitations on its ability to execute its hedging strategy in a reasonable and prudent manner.

Item 11. Verify the Company's reporting system and other tools used to identify, measure, and monitor all forms of risk associated with interest rate hedging activities.

The Company uses independent internal sources and external sources to ensure interest rate hedging activities are captured, confirmed, valued, monitored, accounted for, and reported accurately. The Company uses standard valuation and reporting methods and systems to ensure independent and accurate documentation, valuations, and reporting. Specifically, all derivatives are valued using two sources, one internal and one external. The primary internal source is Bloomberg, which is an independent system that is the financial market standard. The primary external sources are from external banking counterparts. These sources are used prior to deal execution as well as subsequent to execution for monthly valuations. The use of independent internal and external sources ensures risks are viewed and quantified accurately.

In addition to Treasury sourced execution and valuation, Risk Management periodically monitors counterparty credit exposure per the Corporate Credit Policy.

Item 12. Verify that the Company has a sufficient number and type of personnel who can fulfill its risk management objectives.

The Company has a sufficient number and type of personnel to fulfill all functions related to interest rate hedging activity. This includes a process for both execution and review within Corporate Treasury, Risk Management, and Accounting.

- Within Treasury, the Treasurer, Assistant Treasurer, and Corporate Finance team are responsible for the management of interest rate risk and resulting activity.

- Within Risk Management, the Credit Risk Management team is primarily responsible for evaluating credit risk under the oversight of the Chief Risk Officer.

- Within the Controller's organization, the Controller oversees all Accounting Research and Accounting activity related to interest rate activities.

Supporting Documentation:

- Financing Activity and Financial Risk Management Policy
- Delegation of Authority Policy
- Approval of Business Transactions Policy
- Corporate Credit Policy
- Sarbanes-Oxley Interest Rate Risk Management Narrative
- Derivative Transactions Governance Policy