



October 15, 2014

Mr. Bart Fletcher
Public Utility Supervisor
Surveillance Section
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0820

Dear Mr. Fletcher:

Pursuant to Commission Rule 25-6.1352, enclosed please find Duke Energy Florida, Inc.'s Earnings Surveillance Report for the twelve months ended August 31, 2014.

The report includes the Company's actual rate of return computed on an end-of-period rate base, the Company's adjusted rate of return computed on an average rate base, the Company's end-of-period required rates of return, and certain financial integrity indicators for the twelve months ended August 31, 2014. The separation factors used for the jurisdictional amounts were developed from the cost of service prepared in compliance with the Stipulation & Settlement Agreement, Order No. PSC-13-0598-FOF-EI.

If you have any questions, please feel free to contact Marcia Olivier at (727) 820-5653.

Sincerely,

Marcia Olivier For Javier Portuondo

Javier Portuondo
Director Rates & Regulatory Strategy

dc
Attachment
xc: Mr. J. R. Kelly, Office of the Public Counsel

**DUKE ENERGY FLORIDA
RATE OF RETURN REPORT SUMMARY
AUGUST 2014**

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
I. AVERAGE RATE OF RETURN (Jurisdictional)					
Net Operating Income	\$ 719,325,772 (a)	\$ (70,267,769) (b)	\$ 649,058,003	\$ (1,430,806)	\$ 647,627,198
Average Rate Base	\$ 10,439,400,250	\$ (1,456,983,059)	\$ 8,982,417,191	\$ -	\$ 8,982,417,191
Average Rate of Return	6.89%		7.23%		7.21%
I. YEAR END RATE OF RETURN (Jurisdictional)					
Net Operating Income	\$ 714,017,142	\$ (64,959,139)	\$ 649,058,003		
Average Rate Base	\$ 10,552,586,437	\$ (1,084,966,399)	\$ 9,467,620,038		
Average Rate of Return	6.77%		6.86%		
(a) INCLUDES AFUDC EARNINGS					
(b) INCLUDES REVERSAL OF AFUDC EARNINGS					

III. REQUIRED RATES OF RETURN	Average Capital Structure	End of Period Capital Structure
FPSC Adjusted Basis		
Low Point	6.52%	6.45%
Mid Point	7.00%	6.92%
High Point	7.48%	7.40%
Pro Forma Adjusted Basis		
Low Point	6.52%	6.45%
Mid Point	7.00%	6.92%
High Point	7.48%	7.40%

IV. FINANCIAL INTEGRITY INDICATORS

A. T.I.E. with AFUDC	4.37	(System Per Books Basis)
B. T.I.E. without AFUDC	4.35	(System Per Books Basis)
C. AFUDC to Net Income	1.16%	(System Per Books Basis)
D. Internally Generated Funds	70.67%	(System Per Books Basis)
E. STD/LTD to Total Investor Funds		
LT Debt-Fixed to Total Investor Funds	43.45%	(FPSC Adjusted Basis)
ST Debt to Total Investor Funds	1.22%	(FPSC Adjusted Basis)
F. Return on Common Equity		
	10.97%	(FPSC Adjusted Basis)
	10.94%	(Pro Forma Adjusted Basis)
G. Current Allowed AFUDC Rate	7.44%	Docket 100134-EI Order PSC-10-0258-PCO-EI

I am aware that Section 837-06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775-084

Marcia Oliveira for Javier Portuondo 10/15/14
 Javier Portuondo, Director Rates & Regulatory Strategy Date

	Plant in Service	Accum Depr & Amort	Net Plant in Service	Future Use & Appd Unrecov Plant	Const Work in Progress	Net Utility Plant	Working Capital	Total Average Rate Base
System Per Books	\$13,547,142,736	\$4,976,348,684	\$8,570,794,052	\$120,900,546	\$262,802,464	\$8,954,497,062	\$2,327,633,272	\$11,282,130,334
Regulatory Base - Retail	\$12,283,365,101	\$4,573,190,166	\$7,710,174,935	\$104,803,847	\$218,959,037	\$8,033,937,820	\$2,405,462,430	\$10,439,400,250
FPSC Adjustments								
ARO	(16,841,368)	(28,334,513)	11,493,145			11,493,145	(10,873,554)	619,591
ECCR	(36,011,997)	(3,049,401)	(32,962,596)		(10,575,197)	(43,537,794)	1,476,403	(42,061,390)
ECRC	(563,044,036)	(44,934,856)	(518,109,180)		(7,054,810)	(525,163,990)	(20,333,465)	(545,497,455)
FUEL	(28,969,228)	(28,100,147)	(869,081)			(869,081)	202,084,431	201,215,350
CCR							(41,771,921)	(41,771,921)
NUCLEAR					(39,242,603)	(39,242,603)	(395,224,117)	(434,466,720)
CR3 Removal							(1,263,720,403)	(1,263,720,403)
Derivatives							7,144,878	7,144,878
Employee Related							(1,563,262)	(1,563,262)
Investments Earning a Return							(126,503,475)	(126,503,475)
Jobbing Accounts							(1,636,903)	(1,636,903)
Non-Regulated and Miscellaneous	(30,238,996)	(32,517,815)	2,278,819			2,278,819	25,131,021	27,409,840
Rate Case Regulatory Asset							(41,662)	(41,662)
Retention Accounts							2,726,711	2,726,711
CWIP - AFUDC					(20,104,137)	(20,104,137)		(20,104,137)
Imputed Off Balance Sheet Obligations							782,197,589	782,197,589
Capital Lease	(165,990,156)		(165,990,156)			(165,990,156)	165,060,466	(929,690)
Total FPSC Adjustments	(841,095,781)	(136,936,732)	(704,159,049)		(76,976,747)	(781,135,796)	(675,847,263)	(1,456,983,059)
FPSC Adjusted	\$11,442,269,320	\$4,436,253,434	\$7,006,015,886	\$104,803,847	\$141,982,290	\$7,252,802,023	\$1,729,615,168	\$8,982,417,191

	Operating Revenues	Fuel & Net Interchange	O&M Other	Depr & Amort	Taxes Other than Income	Income Taxes Current	Deferred Income Tax (Net)	Investment Tax Credit (Net)	Gain/Loss on Disposition & Other	Total Operating Expenses	Net Operating Income
System Per Books (a)	\$4,855,128,087	\$2,093,700,356	\$829,677,095	\$471,538,413	\$328,943,903	\$209,786,993	\$142,942,939	(1,307,000)		\$4,075,282,699	\$779,845,388
Regulatory Base - Retail (b)	\$4,560,068,291	\$2,026,013,164	\$741,034,507	\$441,038,625	\$317,580,768	\$191,255,536	\$130,316,127	(1,187,579)		\$3,846,051,148	\$714,017,142
FPSC Adjustments											
ECCR	(121,337,260)		(111,772,124)	(3,591,438)		(2,304,354)				(117,667,916)	(3,669,344)
ECRC	(118,676,151)		(44,779,508)	(9,179,034)	(4,173,802)	(23,354,774)				(81,487,118)	(37,189,034)
FUEL	(1,674,649,549)	(1,656,712,016)	(1,032,966)			(6,520,937)				(1,664,265,919)	(10,383,631)
CCR	(357,310,665)	(357,070,841)	(239,824)			(0)				(357,310,665)	(0)
NUCLEAR	(164,559,047)		(302,962)	(145,795,225)		(7,121,277)				(153,219,463)	(11,339,584)
CORPORATE AIRCRAFT ALLOCATION			(2,896,131)			1,117,182				(1,778,948)	1,778,948
FRANCHISE FEE & GROSS RECEIPTS	(207,401,265)					(80,005,038)				(80,005,038)	(127,396,227)
FRANCHISE FEES & GROSS REC TAX - TOI					(200,768,240)	77,446,349				(123,321,891)	123,321,891
GAIN/LOSS ON DISPOSITION & OTHER						207,804		(538,702)		(330,898)	330,898
INST./PROMOTIONAL ADVERTISING			(295,526)			113,999				(181,527)	181,527
INTEREST ON TAX DEFICIENCY			(535,420)			206,538				(328,882)	328,882
MISCELLANEOUS INTEREST EXPENSE			141,680			(54,653)				87,027	(87,027)
REMOVE ASSOC/ORGANIZATION DUES			(103,739)			40,017				(63,722)	63,722
PARENT DEBT ADJUSTMENT						(9,320,605)				(9,320,605)	9,320,605
DIRECTORS & OFFICERS PREMIUM			(1,574,827)			607,490				(967,338)	967,338
INTEREST SYNCHRONIZATION - FPSC						11,188,104				11,188,104	(11,188,104)
Total FPSC Adjustments	(2,643,933,937)	(2,013,782,857)	(163,391,347)	(158,565,697)	(204,942,042)	(37,754,154)			(538,702)	(2,578,974,798)	(64,959,139)
FPSC Adjusted	1,916,134,353	12,230,307	577,643,160	282,472,929	112,638,726	153,501,383	130,316,127	(1,187,579)	(538,702)	1,267,076,350	649,058,003
Pro Forma Adjustments											
Weather Normalization	(2,329,354)					(898,548)				(898,548)	(1,430,806)
Total Pro Forma Adjustments	(2,329,354)					(898,548)				(898,548)	(1,430,806)
Pro Forma Adjusted	\$1,913,804,999	\$12,230,307	\$577,643,160	\$282,472,929	\$112,638,726	\$152,602,834	130,316,127	(1,187,579)	(538,702)	\$1,266,177,802	\$647,627,198
Current Month											
System Per Books	\$520,981,541	\$231,645,953	\$69,899,533	\$47,589,224	\$31,321,072	\$119,126,352	(70,370,506)	(108,916)		\$429,102,711	\$91,878,830
FPSC Adjusted	\$205,695,819		\$43,545,353	\$29,857,368	\$10,022,240	\$101,294,275	(59,836,714)	(98,964)	(39,607)	\$124,743,952	\$80,951,867
							6,371,607	pretax			
							5,308,630	pretax			

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	619,591	619,591
	ECCR	F	(42,061,390)	(42,061,390)
	ECRC	F	(587,826,950)	(545,497,455)
	FUEL	F	201,148,779	201,215,350
	CCR	F	(41,771,921)	(41,771,921)
	NUCLEAR	F	(437,472,707)	(434,466,720)
	CR3 Removal	F	(1,263,720,403)	(1,263,720,403)
	Derivatives	F	7,144,878	7,144,878
	Employee Related	F	(1,562,598)	(1,563,262)
	Investments Earning a Return	F	(131,378,514)	(126,503,475)
	Jobbing Accounts	F	(1,636,903)	(1,636,903)
	Non-Regulated and Miscellaneous	F	27,409,840	27,409,840
	Rate Case Regulatory Asset	F	(41,662)	(41,662)
	Retention Accounts	F	3,060,522	2,726,711
(1)	CWIP - AFUDC	F	(26,698,289)	(20,104,137)
(3)	Imputed Off Balance Sheet Obligations	F	842,114,000	782,197,589
(2)	Capital Lease - EPIS	F	(178,060,905)	(165,990,156)
(2)	Capital Lease - Working Capital	F	177,063,608	165,060,466
	Total		(1,453,671,025)	(1,456,983,059)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(5,973,698)	2,304,354	(5,973,698)	2,304,354
	ECRC	F	(59,298,538)	22,874,411	(60,543,807)	23,354,774
	FUEL	F	(16,904,568)	6,520,937	(16,904,568)	6,520,937
	CCR	F	(0)	0	(0)	0
	NUCLEAR	F	(18,454,032)	7,118,643	(18,460,860)	7,121,277
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,106,737	(1,198,424)	2,896,131	(1,117,182)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(207,401,265)	80,005,038	(207,401,265)	80,005,038
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	200,768,240	(77,446,349)	200,768,240	(77,446,349)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	579,967	(223,722)	538,702	(207,804)
(1)	INST./PROMOTIONAL ADVERTISING	F	317,017	(122,289)	295,526	(113,999)
(1)	INTEREST ON TAX DEFICIENCY	F	574,356	(221,558)	535,420	(206,538)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(151,983)	58,627	(141,680)	54,653
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	111,283	(42,927)	103,739	(40,017)
(2)	PARENT DEBT ADJUSTMENT	F		9,320,605		9,320,605
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,689,348	(651,666)	1,574,827	(607,490)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(11,188,104)		(11,188,104)
	Total		(101,037,137)	37,107,577	(102,713,293)	37,754,154

Notes: (1) Docket No. 910890-EI, Order No. PSC 92-0208-FOF-EI
(2) Docket No. 090079-EI, Order No. PSC 10-0131-FOF-EI
(3) Docket No. 130208-EI, Order No. PSC 13-0598-FOF-EI

	Plant in Service	Accum Depr & Amort	Net Plant in Service	Future Use & Appd Unrecov Plant	Const Work in Progress	Net Utility Plant	Working Capital	Total Period End Rate Base
System Per Books	13,756,054,623	5,101,194,276	8,654,860,346	120,899,848	327,292,395	9,103,052,589	2,327,633,272	11,430,685,861
Regulatory Base - Retail	12,458,047,313	4,691,566,067	7,766,481,247	104,803,242	275,839,518	8,147,124,007	2,405,462,430	10,552,586,437
FPSC Adjustments								
ARO	(16,841,368)	(30,340,446)	13,499,078			13,499,078	(10,873,554)	2,625,524
ECCR	(40,008,488)	(4,759,536)	(35,248,952)		(7,528,789)	(42,777,741)	1,476,403	(41,301,338)
ECRC	(135,796,700)	(5,273,673)	(130,523,028)		(11,194,917)	(141,717,945)	(20,333,465)	(162,051,409)
FUEL	(28,969,387)	(28,101,073)	(868,314)			(868,314)	202,084,431	201,216,117
CCR							(41,771,921)	(41,771,921)
NUCLEAR					(42,041,385)	(42,041,385)	(395,224,117)	(437,265,502)
CR3 Removal							(1,263,720,403)	(1,263,720,403)
Derivatives							7,144,878	7,144,878
Employee Related							(1,563,262)	(1,563,262)
Investments Earning a Return							(126,503,475)	(126,503,475)
Jobbing Accounts							(1,636,903)	(1,636,903)
Non-Regulated and Miscellaneous	(30,257,750)	(32,956,464)	2,698,715			2,698,715	25,131,021	27,829,736
Rate Case Regulatory Asset							(41,662)	(41,662)
Retention Accounts							2,726,711	2,726,711
CWIP - AFUDC					(38,849,409)	(38,849,409)		(38,849,409)
Imputed Off Balance Sheet Obligations							782,197,589	782,197,589
Capital Lease	(159,062,135)		(159,062,135)			(159,062,135)	165,060,466	5,998,331
Total FPSC Adjustments	(410,935,828)	(101,431,192)	(309,504,636)		(99,614,500)	(409,119,136)	(675,847,263)	(1,084,966,399)
FPSC Adjusted	12,047,111,485	4,590,134,875	7,456,976,610	104,803,242	176,225,018	7,738,004,871	1,729,615,168	9,467,620,038

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	2,625,524	2,625,524
	ECCR	F	(41,301,338)	(41,301,338)
	ECRC	F	(176,423,259)	(162,051,409)
	FUEL	F	201,149,604	201,216,117
	CCR	F	(41,771,921)	(41,771,921)
	NUCLEAR	F	(440,485,876)	(437,265,502)
	CR3 Removal	F	(1,263,720,403)	(1,263,720,403)
	Derivatives	F	7,144,878	7,144,878
	Employee Related	F	(1,562,598)	(1,563,262)
	Investments Earning a Return	F	(131,378,514)	(126,503,475)
	Jobbing Accounts	F	(1,636,903)	(1,636,903)
	Non-Regulated and Miscellaneous	F	27,829,736	27,829,736
	Rate Case Regulatory Asset	F	(41,662)	(41,662)
	Retention Accounts	F	3,060,522	2,726,711
(1)	CWIP - AFUDC	F	(48,721,600)	(38,849,409)
(3)	Imputed Off Balance Sheet Obligations	F	842,114,000	782,197,589
(2)	Capital Lease - EPIS	F	(170,629,081)	(159,062,135)
(2)	Capital Lease - Working Capital	F	177,063,608	165,060,466
	Total		(1,056,685,283)	(1,084,966,399)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(5,973,698)	2,304,354	(5,973,698)	2,304,354
	ECRC	F	(59,298,538)	22,874,411	(60,543,807)	23,354,774
	FUEL	F	(16,904,568)	6,520,937	(16,904,568)	6,520,937
	CCR	F	(0)	0	(0)	0
	NUCLEAR	F	(18,454,032)	7,118,643	(18,460,860)	7,121,277
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,106,737	(1,198,424)	2,896,131	(1,117,182)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(207,401,265)	80,005,038	(207,401,265)	80,005,038
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	200,768,240	(77,446,349)	200,768,240	(77,446,349)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	579,967	(223,722)	538,702	(207,804)
(1)	INST./PROMOTIONAL ADVERTISING	F	317,017	(122,289)	295,526	(113,999)
(1)	INTEREST ON TAX DEFICIENCY	F	574,356	(221,558)	535,420	(206,538)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(151,983)	58,627	(141,680)	54,653
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	111,283	(42,927)	103,739	(40,017)
(2)	PARENT DEBT ADJUSTMENT	F		9,320,605		9,320,605
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,689,348	(651,666)	1,574,827	(607,490)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(11,188,104)		(11,188,104)
	Total		(101,037,137)	37,107,577	(102,713,293)	37,754,154

Notes: (1) Docket No. 910890-EI, Order No. PSC 92-0208-FOF-EI
(2) Docket No. 090079-EI, Order No. PSC 10-0131-FOF-EI
(3) Docket No. 130208-EI, Order No. PSC 13-0598-FOF-EI

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST	\$ 740,642,088
AFUDC - DEBT	\$ 2,629,614
INCOME TAXES	\$ 351,414,299
TOTAL	\$ 1,094,686,002
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 250,258,251
TIE WITH AFUDC	<u>4.37</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$ 740,642,088
AFUDC - EQUITY	(3,741,993)
INCOME TAXES	351,414,299
TOTAL	\$ 1,088,314,394
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 250,258,251
TIE WITHOUT AFUDC	<u>4.35</u>

**C. PERCENT AFUDC TO NET INCOME AVAILABLE
FOR COMMON SHAREHOLDERS**

AFUDC DEBT	\$ 2,629,614
LESS: DIT	-
SUBTOTAL	\$ 2,629,614
AFUDC -EQUITY	\$ 3,741,993
TOTAL	\$ 6,371,607
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$ 548,345,794
PERCENT AFUDC TO AVAILABLE NET INCOME	<u>1.16%</u>

D. PERCENT INTERNALLY GENERATED FUNDS*

NET INCOME	\$ 520,531,955
COMMON DIVIDENDS	(225,000,000)
AFUDC (EQUITY)	(4,816,297)
DEPRECIATION & AMORTIZATION	463,225,492
DEFERRED INCOME TAXES	419,991,038
INVESTMENT TAX CREDITS	(1,307,001)
DEFERRED FUEL NET	-
OTHER - INC NUCLEAR DECOMMISSIONING	(113,331,134)
OTHER FUNDS - INCLUDING CHANGE IN WORKING CAPITAL	(559,021,142)
TOTAL FUNDS PROVIDED	\$ 500,272,912
CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC EQUITY & DEBT)	\$ 707,935,719
PERCENTAGE INTERNALLY GENERATED FUNDS	70.67%

*Updated quarterly as of June 2014

**E. SHORT TERM DEBT/LONG TERM DEBT AS A
PERCENT OF TOTAL INVESTOR CAPITAL**

Common Equity	\$ 4,287,300,164
Preferred Stock	\$ -
Long Term Debt	\$ 3,366,290,353
Short Term Debt	\$ 94,678,642
TOTAL	\$ 7,748,269,159
% LONG TERM DEBT TO TOTAL	43.45%
% SHORT TERM DEBT TO TOTAL	1.22%

**F. FPSC ADJUSTED AVERAGE
JURISDICTIONAL AND PROFORMA
RETURN ON COMMON EQUITY**

	Pro Forma	FPSC
FPSC AVERAGE		
EARNED RATE OF RETURN	7.21%	7.23%
LESS RETAIL WEIGHTED AVERAGE COST RATES FOR:		
LONG TERM DEBT	1.94%	1.94%
SHORT TERM DEBT	0.01%	0.01%
CUSTOMER DEPOSITS	0.04%	0.04%
DEFERRED INCOME TAXES		
INVESTMENT TAX CREDITS		
DEFERRED INCOME TAX (FAS 109)		
SUBTOTAL	1.99%	1.99%
TOTAL	5.22%	5.24%
DIVIDED BY COMMON EQUITY RATIO	47.73%	47.73%
JURISDICTIONAL RETURN ON COMMON EQUITY	10.94%	10.97%