



March 13, 2015

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 please find enclosed Duke Energy Florida, Inc.'s Forecasted Earnings Surveillance Report for the calendar year 2015.

Thank you for your assistance in this matter. Should you have any questions, please do not hesitate to contact me at (727) 820-5653.

Sincerely,

A handwritten signature in cursive script that reads 'Marcia Olivier'.

Marcia Olivier
Director Rates & Regulatory Planning

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Attachment

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

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ACCOUNTING & FINANCE

**FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT**

SCHEDULE 1

**Company : Duke Energy Florida
Year 2015**

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted
I. AVERAGE RATE OF RETURN			
(Jurisdictional)			
NET OPERATING INCOME	\$ 692,013,825 (a)	\$ (61,930,486) (b)	\$ 630,083,339
AVERAGE RATE BASE	\$ 11,299,802,600	\$ (1,308,787,671)	\$ 9,991,014,929
AVERAGE RATE OF RETURN	<u>6.12%</u>		<u>6.31%</u>
(a) INCLUDES AFUDC EARNINGS			
(b) INCLUDES REVERSAL OF AFUDC EARNINGS			
III. REQUIRED RATES OF RETURN			
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			
LOW	<u>6.37%</u>		
MIDPOINT	<u>6.83%</u>		
HIGH	<u>7.29%</u>		
IV. FINANCIAL INTEGRITY INDICATORS			
A. TIE WITH AFUDC	<u>5.54</u>	(SYSTEM PER BOOKS BASIS)	
B. TIE WITHOUT AFUDC	<u>5.46</u>	(SYSTEM PER BOOKS BASIS)	
C. AFUDC TO NET INCOME	<u>2.49%</u>	(SYSTEM PER BOOKS BASIS)	
D. INTERNALLY GENERATED FUNDS	<u>58.25%</u>	(SYSTEM PER BOOKS BASIS)	
E. LTD TO TOTAL INVESTOR FUNDS	<u>43.57%</u>	(FPSC ADJUSTED BASIS)	
F. STD TO TOTAL INVESTOR FUNDS	<u>1.47%</u>	(FPSC ADJUSTED BASIS)	
G. RETURN ON COMMON EQUITY	<u>9.37%</u>	(FPSC ADJUSTED BASIS)	

	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	\$14,204,390,369	\$5,249,994,958	\$8,954,395,412	\$121,654,015	\$522,647,373	\$9,598,696,800	\$2,758,405,205	\$12,357,102,005
Regulatory Base - Retail	\$12,900,363,973	\$4,864,031,720	\$8,036,332,253	\$105,457,000	\$469,883,041	\$8,611,672,293	\$2,688,130,307	\$11,299,802,600
FPSC Adjustments								
ARO	(20,823,344)	(31,741,055)	10,917,710	-	-	10,917,710	(10,386,232)	531,478
ECCR	(49,677,085)	(8,769,421)	(40,907,665)	-	(3,881,485)	(44,789,150)	(1,720,708)	(46,509,858)
ECRC	(172,315,481)	(8,721,696)	(163,593,785)	-	(10,738,548)	(174,332,332)	(2,676,148)	(177,008,481)
FUEL	(28,931,074)	(28,549,809)	(381,265)	-	-	(381,265)	75,925,943	75,544,678
CCR	-	-	-	-	-	-	(30,953,685)	(30,953,685)
NUCLEAR	-	-	-	-	-	-	(259,405,291)	(259,405,291)
CR3 Removal	-	-	-	-	-	-	(1,328,594,476)	(1,328,594,476)
Derivatives	-	-	-	-	-	-	(24,109,563)	(24,109,563)
Employee Related	-	-	-	-	-	-	(421,102)	(421,102)
Investments Earning a Return	-	-	-	-	-	-	(111,484,412)	(111,484,412)
Jobbing Accounts	-	-	-	-	-	-	(72,559)	(72,559)
Non-Regulated and Miscellaneous	(30,256,272)	(34,320,872)	4,064,600	-	-	4,064,600	34,811,656	38,876,256
Retention Accounts	-	-	-	-	-	-	3,277,229	3,277,229
CWIP - AFUDC	-	-	-	-	(214,022,502)	(214,022,502)	-	(214,022,502)
Imputed Off Balance Sheet Obligations	-	-	-	-	-	-	767,024,824	767,024,824
Capital Lease	(157,951,608)	-	(157,951,608)	-	-	(157,951,608)	156,491,399	(1,460,209)
Total FPSC Adjustments	(459,954,864)	(112,102,852)	(347,852,012)	-	(228,642,535)	(576,494,547)	(732,293,124)	(1,308,787,671)
FPSC Adjusted	\$12,440,409,109	\$4,751,928,868	\$7,688,480,241	\$105,457,000	\$241,240,506	\$8,035,177,747	\$1,955,837,182	\$9,991,014,929

Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
		Amount	Income Tax Effect	Amount	Income Tax Effect
ECCR	F	(\$14,993,588)	\$5,783,776	(\$14,993,588)	\$5,783,776
ECRC	F	(18,413,798)	7,103,123	(18,413,798)	7,103,123
FUEL	F	(3,312,359)	1,277,743	(3,312,359)	1,277,743
CCR	F				
NUCLEAR	F	(26,123,618)	10,077,186	(26,123,618)	10,077,186
CR3 Removal	F	(37,821,016)	14,589,457	(37,821,016)	14,589,457
CORPORATE AIRCRAFT ALLOCATION	F	3,601,896	(1,389,431)	3,357,723	(1,295,242)
FRANCHISE FEE & GROSS RECEIPTS	F	(212,306,153)	81,897,099	(212,306,153)	81,897,099
FRANCHISE FEES & GROSS REC TAX - TOI	F	212,306,153	(81,897,099)	212,306,153	(81,897,099)
INST./PROMOTIONAL ADVERTISING	F	1,140,000	(439,755)	1,062,719	(409,944)
MISCELLANEOUS INTEREST EXPENSE	F	(142,008)	54,780	(132,381)	51,066
REMOVE ASSOC/ORGANIZATION DUES	F	48,000	(18,516)	44,746	(17,261)
PARENT DEBT ADJUSTMENT	F	-	10,234,864	-	9,299,807
DIRECTORS & OFFICERS PREMIUM	F	1,607,448	(620,073)	1,498,479	(578,038)
INTEREST SYNCHRONIZATION - FPSC	F	-	2,232,797	-	2,232,797
Total		(\$94,409,043)	\$48,886,949	(\$94,833,093)	\$48,114,469

Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
ARO	F	\$531,478	\$531,478
ECCR	F	(48,460,634)	(46,509,858)
ECRC	F	(183,643,438)	(177,008,481)
FUEL	F	75,515,473	75,544,678
CCR	F	(30,953,685)	(30,953,685)
NUCLEAR	F	(259,405,291)	(259,405,291)
CR3 Removal	F	(1,328,594,476)	(1,328,594,476)
Derivatives	F	(24,109,563)	(24,109,563)
Employee Related	F	(421,224)	(421,102)
Investments Earning a Return	F	(114,092,271)	(111,484,412)
Jobbing Accounts	F	(81,442)	(72,559)
Non-Regulated and Miscellaneous	F	38,960,193	38,876,256
Retention Accounts	F	3,678,436	3,277,229
CWIP - AFUDC	F	(233,229,610)	(214,022,502)
Imputed Off Balance Sheet Obligations	F	825,779,000	767,024,824
Capital Lease - EPIS	F	(169,437,796)	(157,951,608)
Capital Lease - Working Capital	F	167,871,402	156,491,399
Total		(\$1,280,093,448)	(\$1,308,787,671)

	System Per	Retail Per	Pro Rata	Specific	Adjusted	Cap	Low-Point		Mid-Point		High-Point	
	Books	Books	Adjustments	Adjustments	Retail	Ratio	Cost Rate	Weighted Cost	Cost Rate	Weighted Cost	Cost Rate	Weighted Cost
Common Equity	\$5,099,993,258	\$4,655,792,616	(\$792,233,434)	\$752,674,158	\$4,616,233,340	46.20%	9.50%	4.39%	10.50%	4.85%	11.50%	5.31%
Long Term Debt	4,831,312,281	4,410,513,289	(750,496,505)		3,660,016,784	36.63%	5.23%	1.92%	5.23%	1.92%	5.23%	1.92%
Short Term Debt	146,319,876	133,575,667	(22,729,343)	13,052,458	123,898,781	1.24%	1.70%	0.02%	1.70%	0.02%	1.70%	0.02%
Customer Deposits												
Active	216,296,806	216,296,806	(36,805,239)		179,491,567	1.80%	2.25%	0.04%	2.25%	0.04%	2.25%	0.04%
Inactive	1,651,583	1,651,583	(281,035)		1,370,548	0.01%						
Investment Tax Credits	352,512	321,809	(54,759)		267,050	0.00%						
Deferred Income Taxes	2,276,239,024	2,077,982,519	(353,591,185)	(151,730,745)	1,572,660,589	15.74%						
FAS 109 DIT - Net	(215,063,336)	(196,331,689)	33,407,959		(162,923,730)	-1.63%						
Total	\$12,357,102,004	\$11,299,802,600	(\$1,922,783,542)	\$613,995,871	\$9,991,014,929	100.00%		6.37%		6.83%		7.29%

**FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
FINANCIAL INTEGRITY INDICATORS**

SCHEDULE 4

**Company : Duke Energy Florida
Year 2015**

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST	\$	793,367,110
AFUDC - DEBT		5,952,148
INCOME TAXES		371,551,915
TOTAL	\$	1,170,871,174
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	211,498,379
TIE WITH AFUDC		<u>5.54</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$	793,367,110
AFUDC - EQUITY		(10,967,892)
INCOME TAXES		371,551,915
TOTAL	\$	1,153,951,133
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	211,498,379
TIE WITHOUT AFUDC		<u>5.46</u>

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

AFUDC DEBT	\$	5,952,148
X (1- INCOME TAX RATE)		0.61425
SUBTOTAL	\$	3,656,107
AFUDC -EQUITY	\$	10,967,892
TOTAL	\$	14,623,999
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$	587,820,879
PERCENT AFUDC TO AVAILABLE NET INCOME		<u>2.49%</u>

D. PERCENT INTERNALLY GENERATED FUNDS

NET INCOME	\$	587,820,879
COMMON DIVIDENDS		(700,000,000)
AFUDC (EQUITY)		(10,967,892)
DEPRECIATION & AMORTIZATION		510,894,651
DEFERRED INCOME TAXES		314,454,081
INVESTMENT TAX CREDITS		(146,000)
DEFERRED FUEL NET		88,409,855
OTHER FUNDS - INCLUDING CHANGE IN WORKING CAPITAL		(174,203,906)
TOTAL FUNDS PROVIDED	\$	<u>616,261,668</u>

CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC EQUITY & DEBT)	\$	1,057,978,927
PERCENTAGE INTERNALLY GENERATED FUNDS		58.25%

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

F. SHORT TERM DEBT AS A PERCENT OF TOTAL INVESTOR CAPITAL

RECONCILED AVERAGE RETAIL AMOUNTS		
LONG TERM DEBT	\$	3,660,016,784
SHORT TERM DEBT		123,898,781
COMMON EQUITY		4,616,233,340
TOTAL	\$	<u>8,400,148,905</u>
% LONG TERM DEBT TO TOTAL		<u>43.57%</u>
% SHORT TERM DEBT TO TOTAL		<u>1.47%</u>

**G. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN
ON COMMON EQUITY**

FPSC AVERAGE EARNED RATE OF RETURN		<u>6.31%</u>
LESS RETAIL WEIGHTED AVERAGE COST RATES FOR:		
LONG TERM DEBT		1.92%
SHORT TERM DEBT		0.02%
CUSTOMER DEPOSITS		0.04%
DEFERRED INCOME TAXES		0.00%
INVESTMENT TAX CREDITS		0.00%
DEFERRED INCOME TAX (FAS 109)		0.00%
SUBTOTAL		<u>1.98%</u>
TOTAL		4.33%
DIVIDED BY COMMON EQUITY RATIO		<u>46.20%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY		<u>9.37%</u>

**FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
FORECAST ASSUMPTIONS**

SCHEDULE 5

Company : Duke Energy Florida
Year 2015

FORECAST ASSUMPTIONS

	<u>Forecast Year</u>	<u>Prior Year</u>
<u>Retail Customers</u>		
Residential	1,533,656	1,503,757
Commercial	170,464	167,253
Industrial	2,262	2,280
Other	26,024	25,787
Total	<u>1,732,406</u>	<u>1,699,077</u>
<u>Retail mWh Sales</u>		
Residential	19,361,178	19,002,681
Commercial	11,896,044	11,788,806
Industrial	3,324,572	3,267,312
Other	3,239,222	3,181,300
Total	<u>37,821,016</u>	<u>37,240,099</u>

OTHER MAJOR FORECAST ASSUMPTIONS

Revenues

Retail revenues are based on the 2015 budget plan. Retail sales mWh's are expected to be higher in 2015 than in 2014. Total retail sales are budgeted at 37.8 million mWhs. Total wholesale sales are budgeted at 1.0 million mWhs.

Operation and Maintenance Expenses

Total base recoverable O&M expenses are budgeted at \$691 million. FUEL, ECCR, and ECRC expenses are budgeted at \$2,175 million, \$70 million, and \$40 million, respectively.

Depreciation Expense

Depreciation expense is based on rates effective 1/1/2010 per Order PSC-10-0131-FOF-EI.

Fossil Dismantlement

Retail fossil dismantlement expense is based on rates effective 1/1/2010 per Order PSC-10-0131-FOF-EI. Wholesale fossil dismantlement expense is based on settlement rates effective 1/1/1995.

Crystal River 3 (CR3)

Consistent with Revised and Restated Stipulation and Settlement Agreement approved in Order No. PSC 13-0598-FOF-EI, the following areas related to CR3 have been adjusted; revenues recovered through the fuel clause, rate base items, and a specific adjustment to deferred income taxes with all other CR3 items removed from capital structure on a pro-rata basis.

Financing Activity

The budget has a \$650 million debt issuance in August and a dividend contribution of \$350 million in March and \$350 million in August.

Deferred Income Taxes

The 2015 budget includes bonus tax depreciation expense of \$69.5 million.

Off Balance Sheet Obligations

Pursuant to the Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI, a specific adjustment was made to common equity and working capital for off-balance sheet obligations in the amount of \$825.8 million (system).

I am the person responsible for preparation of this document and 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 sec. 775.082 or sec. 775.083.

Marcia Olivier	<i>Marcia Olivier</i>
Name	Signature
Director Rates & Regulatory Planning - FL	3/13/15
Title	Date

**FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 Construction Projects Exceeding \$10,000,000 in Accordance with Rule 25-6.0141(8)**

**Company : Duke Energy Florida
 Year 2015**

25-6.0141(8)(a)		25-6.0141(8)(b)	25-6.0141(8)(c)	25-6.0141(8)(d)
Project Name	Project Description	Estimated Total cost of the Project (excl. AFUDC)	Estimated Construction commencement Date	Estimated In-Service Date
1. Hines Chiller Project	Installation of 4 Chillers at the Hines Energy Complex to the existing CC for an additional 220 MW of output	\$160,000,000	1/1/2015	June 2017