



September 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 July 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 July 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,

A handwritten signature in black ink that reads "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
JULY 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	\$ 707,962,741 (a)	\$ (80,742,441) (b)	\$ 627,220,301	\$ (384,191)	\$ 626,836,110
Average Rate Base	\$ 10,365,261,823	\$ (1,512,000,596)	\$ 8,853,261,228	\$ -	\$ 8,853,261,228
Average Rate of Return	6.83%		7.08%		7.08%
I. YEAR END RATE OF RETURN (Jurisdictional)					
Net Operating Income	\$ 700,987,785	\$ (73,767,484)	\$ 627,220,301		
Average Rate Base	\$ 10,488,771,256	\$ (1,062,923,179)	\$ 9,425,848,078		
Average Rate of Return	6.68%		6.65%		
(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	6.54%	6.41%
Mid Point	7.02%	6.88%
High Point	7.50%	7.35%
Pro Forma Adjusted Basis		
Low Point	6.54%	6.41%
Mid Point	7.02%	6.88%
High Point	7.50%	7.35%

IV. FINANCIAL INTEGRITY INDICATORS

A. T.I.E. with AFUDC	4.27	(System Per Books Basis)
B. T.I.E without AFUDC	4.23	(System Per Books Basis)
C. AFUDC to Net Income	1.58%	(System Per Books Basis)
D. Internally Generated Funds	72.44%	(System Per Books Basis)
E. STD/LTD to Total Investor Funds		
LT Debt-Fixed to Total Investor Funds	43.44%	(FPSC Adjusted Basis)
ST Debt to Total Investor Funds	1.16%	(FPSC Adjusted Basis)
F. Return on Common Equity	10.63%	(FPSC Adjusted Basis)
	10.62%	(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 Oliver for Javier Portuondo *9/15/14*
 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	\$13,507,373,170	\$4,955,194,289	\$8,552,178,881	\$120,900,548	\$253,592,076	\$8,926,671,505	\$2,304,441,803	\$11,231,113,308
Regulatory Base - Retail	\$12,230,008,919	\$4,552,665,042	\$7,677,343,877	\$104,803,849	\$210,462,074	\$7,992,609,800	\$2,372,652,023	\$10,365,261,823
FPSC Adjustments								
ARO	(16,841,368)	(28,066,894)	11,225,526			11,225,526	(10,605,935)	619,591
ECCR	(34,890,211)	(2,790,137)	(32,100,074)		(11,481,877)	(43,581,951)	219,717	(43,362,234)
ECRC	(648,252,617)	(52,433,287)	(595,819,330)		(6,384,344)	(602,203,674)	(22,078,868)	(624,282,542)
FUEL	(28,969,196)	(28,100,103)	(869,093)			(869,093)	226,190,619	225,321,525
CCR							(43,102,488)	(43,102,488)
NUCLEAR					(36,008,650)	(36,008,650)	(403,867,773)	(439,876,423)
CR3 Removal							(1,255,348,091)	(1,255,348,091)
Derivatives							(1,493,778)	(1,493,778)
Employee Related							(1,921,982)	(1,921,982)
Investments Earning a Return							(121,750,101)	(121,750,101)
Jobbing Accounts							(1,663,163)	(1,663,163)
Non-Regulated and Miscellaneous	(30,237,863)	(32,441,596)	2,203,732			2,203,732	24,385,112	26,588,844
Rate Case Regulatory Asset							(62,494)	(62,494)
Retention Accounts							2,568,294	2,568,294
CWIP - AFUDC					(18,586,606)	(18,586,606)		(18,586,606)
Imputed Off Balance Sheet Obligations							785,232,142	785,232,142
Capital Lease	(166,897,466)		(166,897,466)			(166,897,466)	166,016,374	(881,091)
Total FPSC Adjustments	(926,088,721)	(143,832,016)	(782,256,704)		(72,461,478)	(854,718,182)	(657,282,414)	(1,512,000,596)
FPSC Adjusted	\$11,303,920,198	\$4,408,833,026	\$6,895,087,173	\$104,803,849	\$138,000,597	\$7,137,891,618	\$1,715,369,609	\$8,853,261,228

	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)	\$4,772,634,067	\$2,048,835,626	\$839,352,446	\$461,710,037	\$327,651,791	\$91,525,363	\$241,677,050	(1,307,001)		\$4,009,445,312	\$763,188,755
Regulatory Base - Retail (b)	\$4,480,386,065	\$1,977,020,682	\$750,464,691	\$431,445,573	\$316,214,142	\$83,899,686	\$221,541,087	(1,187,580)		\$3,779,398,280	\$700,987,785
FPSC Adjustments											
ECCR	(116,817,226)		(107,223,933)	(3,396,912)		(2,390,254)				(113,011,099)	(3,806,127)
ECRC	(126,380,150)		(36,361,730)	(9,450,867)	(4,973,536)	(29,160,392)				(79,946,526)	(46,433,624)
FUEL	(1,626,062,070)	(1,608,163,567)	(1,000,912)			(6,518,246)				(1,615,682,725)	(10,379,346)
CCR	(356,866,333)	(356,626,807)	(239,526)			(0)				(356,866,333)	(0)
NUCLEAR	(161,913,658)		(525,764)	(141,851,986)		(7,535,977)				(149,913,726)	(11,999,932)
CORPORATE AIRCRAFT ALLOCATION			(2,948,746)			1,137,479				(1,811,267)	1,811,267
FRANCHISE FEE & GROSS RECEIPTS	(202,756,974)					(78,213,503)				(78,213,503)	(124,543,471)
FRANCHISE FEES & GROSS REC TAX - TOI					(198,805,583)	76,689,254				(122,116,330)	122,116,330
GAIN/LOSS ON DISPOSITION & OTHER						215,543			(558,763)	(343,220)	343,220
INST./PROMOTIONAL ADVERTISING			(261,765)			100,976				(160,789)	160,789
INTEREST ON TAX DEFICIENCY			(535,420)			206,538				(328,882)	328,882
MISCELLANEOUS INTEREST EXPENSE			142,302			(54,893)				87,409	(87,409)
REMOVE ASSOC/ORGANIZATION DUES			(109,004)			42,048				(66,956)	66,956
PARENT DEBT ADJUSTMENT						(9,329,949)				(9,329,949)	9,329,949
DIRECTORS & OFFICERS PREMIUM			(1,593,914)			614,852				(979,062)	979,062
INTEREST SYNCHRONIZATION - FPSC						11,654,030				11,654,030	(11,654,030)
Total FPSC Adjustments	(2,590,796,411)	(1,964,790,374)	(150,658,413)	(154,699,765)	(203,779,120)	(42,542,492)			(558,763)	(2,517,028,927)	(73,767,484)
FPSC Adjusted	1,889,589,654	12,230,307	599,806,278	276,745,808	112,435,022	41,357,194	221,541,087	(1,187,580)	(558,763)	1,262,369,353	627,220,301
Pro Forma Adjustments											
Weather Normalization	(625,463)					(241,272)				(241,272)	(384,191)
Total Pro Forma Adjustments	(625,463)					(241,272)				(241,272)	(384,191)
Pro Forma Adjusted	\$1,888,964,191	\$12,230,307	\$599,806,278	\$276,745,808	\$112,435,022	\$41,115,921	221,541,087	(1,187,580)	(558,763)	\$1,262,128,081	\$626,836,110
Current Month											
System Per Books	\$486,373,758	\$209,403,103	\$70,987,940	\$45,424,474	\$30,117,656	\$38,921,001	4,501,722	(108,917)		\$399,246,979	\$87,126,780
FPSC Adjusted	\$199,965,741		\$47,211,259	\$28,020,031	\$9,949,078	\$32,843,907	3,798,827	(98,965)	(39,607)	\$121,684,529	\$78,281,212
							8,404,334	pretax			
							6,974,956	pretax			

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	619,591	619,591
	ECCR	F	(43,362,234)	(43,362,234)
	ECRC	F	(672,341,689)	(624,282,542)
	FUEL	F	225,254,953	225,321,525
	CCR	F	(43,102,488)	(43,102,488)
	NUCLEAR	F	(442,634,689)	(439,876,423)
	CR3 Removal	F	(1,255,348,091)	(1,255,348,091)
	Derivatives	F	(1,493,778)	(1,493,778)
	Employee Related	F	(1,921,218)	(1,921,982)
	Investments Earning a Return	F	(126,066,840)	(121,750,101)
	Jobbing Accounts	F	(1,663,163)	(1,663,163)
	Non-Regulated and Miscellaneous	F	26,588,844	26,588,844
	Rate Case Regulatory Asset	F	(62,494)	(62,494)
	Retention Accounts	F	2,882,712	2,568,294
(1)	CWIP - AFUDC	F	(24,973,831)	(18,586,606)
(3)	Imputed Off Balance Sheet Obligations	F	845,381,000	785,232,142
(2)	Capital Lease - EPIS	F	(179,034,194)	(166,897,466)
(2)	Capital Lease - Working Capital	F	178,089,030	166,016,374
	Total		(1,513,188,580)	(1,512,000,596)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(6,196,381)	2,390,254	(6,196,381)	2,390,254
	ECRC	F	(74,039,193)	28,560,619	(75,594,016)	29,160,392
	FUEL	F	(16,897,592)	6,518,246	(16,897,592)	6,518,246
	CCR	F	(0)	0	(0)	0
	NUCLEAR	F	(19,528,683)	7,533,189	(19,535,908)	7,535,977
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,163,178	(1,220,196)	2,948,746	(1,137,479)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(202,756,974)	78,213,503	(202,756,974)	78,213,503
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	198,805,583	(76,689,254)	198,805,583	(76,689,254)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	601,564	(232,053)	558,763	(215,543)
(1)	INST./PROMOTIONAL ADVERTISING	F	280,801	(108,319)	261,765	(100,976)
(1)	INTEREST ON TAX DEFICIENCY	F	574,356	(221,558)	535,420	(206,538)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(152,650)	58,885	(142,302)	54,893
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	116,931	(45,106)	109,004	(42,048)
(2)	PARENT DEBT ADJUSTMENT	F		9,329,949		9,329,949
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,709,823	(659,564)	1,593,914	(614,852)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(11,650,954)		(11,650,954)
	Total		(114,319,236)	41,777,640	(116,309,976)	42,545,568

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	13,733,254,778	5,075,927,675	8,657,327,103	120,899,848	300,733,776	9,078,960,728	2,304,441,803	11,383,402,531
Regulatory Base - Retail	12,427,523,978	4,669,032,401	7,758,491,577	104,803,242	252,824,414	8,116,119,233	2,372,652,023	10,488,771,256
FPSC Adjustments								
ARO	(16,841,368)	(29,999,121)	13,157,754			13,157,754	(10,605,935)	2,551,819
ECCR	(40,065,311)	(4,493,244)	(35,572,067)		(7,320,721)	(42,892,788)	219,717	(42,673,071)
ECRC	(134,678,262)	(5,021,211)	(129,657,051)		(10,527,311)	(140,184,362)	(22,078,868)	(162,263,229)
FUEL	(28,969,387)	(28,100,839)	(868,548)			(868,548)	226,190,619	225,322,071
CCR							(43,102,488)	(43,102,488)
NUCLEAR					(40,272,804)	(40,272,804)	(403,867,773)	(444,140,577)
CR3 Removal							(1,255,348,091)	(1,255,348,091)
Derivatives							(1,493,778)	(1,493,778)
Employee Related							(1,921,982)	(1,921,982)
Investments Earning a Return							(121,750,101)	(121,750,101)
Jobbing Accounts							(1,663,163)	(1,663,163)
Non-Regulated and Miscellaneous	(30,257,750)	(32,889,308)	2,631,559			2,631,559	24,385,112	27,016,670
Rate Case Regulatory Asset							(62,494)	(62,494)
Retention Accounts							2,568,294	2,568,294
CWIP - AFUDC					(35,792,037)	(35,792,037)		(35,792,037)
Imputed Off Balance Sheet Obligations							785,232,142	785,232,142
Capital Lease	(161,419,539)		(161,419,539)			(161,419,539)	166,016,374	4,596,836
Total FPSC Adjustments	(412,231,616)	(100,503,724)	(311,727,892)		(93,912,873)	(405,640,765)	(657,282,414)	(1,062,923,179)
FPSC Adjusted	12,015,292,362	4,568,528,677	7,446,763,686	104,803,242	158,911,540	7,710,478,468	1,715,369,609	9,425,848,078

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	2,551,819	2,551,819
	ECCR	F	(42,673,071)	(42,673,071)
	ECRC	F	(176,330,825)	(162,263,229)
	FUEL	F	225,255,540	225,322,071
	CCR	F	(43,102,488)	(43,102,488)
	NUCLEAR	F	(447,225,478)	(444,140,577)
	CR3 Removal	F	(1,255,348,091)	(1,255,348,091)
	Derivatives	F	(1,493,778)	(1,493,778)
	Employee Related	F	(1,921,218)	(1,921,982)
	Investments Earning a Return	F	(126,066,840)	(121,750,101)
	Jobbing Accounts	F	(1,663,163)	(1,663,163)
	Non-Regulated and Miscellaneous	F	27,016,670	27,016,670
	Rate Case Regulatory Asset	F	(62,494)	(62,494)
	Retention Accounts	F	2,882,712	2,568,294
(1)	CWIP - AFUDC	F	(44,613,404)	(35,792,037)
(3)	Imputed Off Balance Sheet Obligations	F	845,381,000	785,232,142
(2)	Capital Lease - EPIS	F	(173,157,914)	(161,419,539)
(2)	Capital Lease - Working Capital	F	178,089,030	166,016,374
	Total		(1,032,481,992)	(1,062,923,179)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(6,196,381)	2,390,254	(6,196,381)	2,390,254
	ECRC	F	(74,039,193)	28,560,619	(75,594,016)	29,160,392
	FUEL	F	(16,897,592)	6,518,246	(16,897,592)	6,518,246
	CCR	F	(0)	0	(0)	0
	NUCLEAR	F	(19,528,683)	7,533,189	(19,535,908)	7,535,977
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,163,178	(1,220,196)	2,948,746	(1,137,479)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(202,756,974)	78,213,503	(202,756,974)	78,213,503
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	198,805,583	(76,689,254)	198,805,583	(76,689,254)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	601,564	(232,053)	558,763	(215,543)
(1)	INST./PROMOTIONAL ADVERTISING	F	280,801	(108,319)	261,765	(100,976)
(1)	INTEREST ON TAX DEFICIENCY	F	574,356	(221,558)	535,420	(206,538)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(152,650)	58,885	(142,302)	54,893
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	116,931	(45,106)	109,004	(42,048)
(2)	PARENT DEBT ADJUSTMENT	F		9,329,949		9,329,949
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,709,823	(659,564)	1,593,914	(614,852)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(11,650,954)		(11,650,954)
	Total		(114,319,236)	41,777,640	(116,309,976)	42,545,568

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	\$ 723,939,963
AFUDC - DEBT	\$ 3,344,716
INCOME TAXES	\$ 337,579,696
TOTAL	\$ 1,064,864,375
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 249,616,725
TIE WITH AFUDC	<u>4.27</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$ 723,939,963
AFUDC - EQUITY	(5,059,619)
INCOME TAXES	337,579,696
TOTAL	\$ 1,056,460,041
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 249,616,725
TIE WITHOUT AFUDC	<u>4.23</u>

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

AFUDC DEBT	\$ 3,344,716
LESS: DIT	-
SUBTOTAL	\$ 3,344,716
AFUDC -EQUITY	\$ 5,059,619
TOTAL	\$ 8,404,334
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$ 533,118,800
PERCENT AFUDC TO AVAILABLE NET INCOME	<u>1.58%</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	\$ 4,236,361,068
Preferred Stock	\$ -
Long Term Debt	\$ 3,321,371,650
Short Term Debt	\$ 88,950,837
TOTAL	\$ 7,646,683,556
% LONG TERM DEBT TO TOTAL	43.44%
% SHORT TERM DEBT TO TOTAL	1.16%

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

	Pro Forma	FPSC
FPSC AVERAGE		
EARNED RATE OF RETURN	7.08%	7.08%
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	2.00%	2.00%
TOTAL	5.08%	5.09%
DIVIDED BY COMMON EQUITY RATIO	47.85%	47.85%
JURISDICTIONAL RETURN ON COMMON EQUITY	10.62%	10.63%