



December 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 October 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 October 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 blue 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
OCTOBER 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	\$ 651,911,666 (a)	\$ (53,331,579) (b)	\$ 598,580,087	\$ 6,339,789	\$ 604,919,876
Average Rate Base	\$ 10,447,410,025	\$ (1,325,524,952)	\$ 9,121,885,073	\$ -	\$ 9,121,885,073
Average Rate of Return	6.24%		6.56%		6.63%
I. YEAR END RATE OF RETURN (Jurisdictional)					
Net Operating Income	\$ 647,185,708	\$ (48,605,621)	\$ 598,580,087		
Average Rate Base	\$ 10,588,455,047	\$ (1,111,471,012)	\$ 9,476,984,035		
Average Rate of Return	6.11%		6.32%		
(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	6.43%	6.34%
Mid Point	6.90%	6.80%
High Point	7.36%	7.27%
Pro Forma Adjusted Basis		
Low Point	6.43%	6.34%
Mid Point	6.90%	6.80%
High Point	7.36%	7.27%

IV. FINANCIAL INTEGRITY INDICATORS

A. T.I.E. with AFUDC	4.21	(System Per Books Basis)
B. T.I.E. without AFUDC	4.19	(System Per Books Basis)
C. AFUDC to Net Income	1.04%	(System Per Books Basis)
D. Internally Generated Funds	69.36%	(System Per Books Basis)
E. STD/LTD to Total Investor Funds		
LT Debt-Fixed to Total Investor Funds	43.67%	(FPSC Adjusted Basis)
ST Debt to Total Investor Funds	1.88%	(FPSC Adjusted Basis)
F. Return on Common Equity		
	9.79%	(FPSC Adjusted Basis)
	9.93%	(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 Olvera for Javier Portuondo 12/15/14
 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	\$13,630,559,088	\$5,019,271,872	\$8,611,287,216	\$120,900,140	\$279,575,289	\$9,011,762,645	\$2,385,263,909	\$11,397,026,554
Regulatory Base - Retail	\$12,354,583,620	\$4,613,364,226	\$7,741,219,393	\$104,803,496	\$241,899,838	\$8,087,922,727	\$2,359,487,298	\$10,447,410,025
FPSC Adjustments								
ARO	(16,841,368)	(28,991,960)	12,150,593			12,150,593	(11,529,598)	620,994
ECCR	(37,899,391)	(3,605,905)	(34,293,486)		(8,813,263)	(43,106,749)	5,093,217	(38,013,532)
ECRC	(372,480,000)	(30,055,534)	(342,424,466)		(8,525,769)	(350,950,235)	(16,194,444)	(367,144,679)
FUEL	(28,969,382)	(28,100,839)	(868,543)			(868,543)	163,603,557	162,735,014
CCR							(38,587,392)	(38,587,392)
NUCLEAR					(42,358,553)	(42,358,553)	(379,919,476)	(422,278,029)
CR3 Removal							(1,275,068,778)	(1,275,068,778)
Derivatives							24,536,986	24,536,986
Employee Related							(1,180,207)	(1,180,207)
Investments Earning a Return							(136,436,598)	(136,436,598)
Jobbing Accounts							(1,388,208)	(1,388,208)
Non-Regulated and Miscellaneous	(30,241,261)	(46,881,610)	16,640,349			16,640,349	(3,050,841)	13,589,508
Rate Case Regulatory Asset							(12,499)	(12,499)
Retention Accounts							3,057,880	3,057,880
CWIP - AFUDC					(25,054,253)	(25,054,253)		(25,054,253)
Imputed Off Balance Sheet Obligations							776,128,483	776,128,483
Capital Lease	(164,489,165)		(164,489,165)			(164,489,165)	163,459,522	(1,029,643)
Total FPSC Adjustments	(650,920,567)	(137,635,848)	(513,284,719)		(84,751,838)	(598,036,556)	(727,488,396)	(1,325,524,952)
FPSC Adjusted	\$11,703,663,053	\$4,475,728,378	\$7,227,934,675	\$104,803,496	\$157,148,001	\$7,489,886,171	\$1,631,998,902	\$9,121,885,073

	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)	4,890,754,089	2,116,108,514	823,035,277	507,708,203	345,684,117	98,930,536	250,596,384	(1,280,317)		4,140,782,714	749,971,375
Regulatory Base - Retail (b)	4,590,906,907	2,055,477,700	785,959,305	476,770,746	333,240,209	83,054,654	210,381,919	(1,163,334)		3,943,721,199	647,185,708
FPSC Adjustments											
ECCR	(126,509,838)		(117,012,816)	(3,940,277)		(2,143,514)				(123,096,608)	(3,413,230)
ECRC	(100,172,344)		(50,604,380)	(6,462,033)	(2,568,361)	(15,637,367)				(75,272,141)	(24,900,202)
FUEL	(1,719,280,369)	(1,701,332,075)	(1,061,808)			(6,513,962)				(1,708,907,845)	(10,372,524)
CCR	(342,144,962)	(341,915,318)	(229,645)							(342,144,963)	-
NUCLEAR	(169,652,588)		(193,060)	(153,223,995)		(6,262,857)				(159,679,912)	(9,972,676)
CORPORATE AIRCRAFT ALLOCATION			(2,847,751)			1,098,520				(1,749,231)	1,749,231
FRANCHISE FEE & GROSS RECEIPTS	(209,699,316)					(80,891,511)				(80,891,511)	(128,807,805)
FRANCHISE FEES & GROSS REC TAX - TOI					(205,533,674)	79,284,615				(126,249,059)	126,249,059
GAIN/LOSS ON DISPOSITION & OTHER						207,148			(537,002)	(329,853)	329,853
INST./PROMOTIONAL ADVERTISING			(548,309)			211,510				(336,799)	336,799
INTEREST ON TAX DEFICIENCY			(285,124)			109,987				(175,137)	175,137
MISCELLANEOUS INTEREST EXPENSE			140,427			(54,170)				86,257	(86,257)
REMOVE ASSOC/ORGANIZATION DUES			(93,209)			35,955				(57,254)	57,254
PARENT DEBT ADJUSTMENT						(9,268,956)				(9,268,956)	9,268,956
DIRECTORS & OFFICERS PREMIUM			(1,536,653)			592,764				(943,889)	943,889
INTEREST SYNCHRONIZATION - FPSC						10,163,105				10,163,105	(10,163,105)
Total FPSC Adjustments	(2,667,459,417)	(2,043,247,393)	(174,272,328)	(163,626,305)	(208,102,035)	(29,068,734)			(537,002)	(2,618,853,797)	(48,605,621)
FPSC Adjusted	1,923,447,489	12,230,307	611,686,977	313,144,441	125,138,173	53,985,920	210,381,919	(1,163,334)	(537,002)	1,324,867,402	598,580,087
Pro Forma Adjustments											
Weather Normalization	10,321,186					3,981,397				3,981,397	6,339,789
Total Pro Forma Adjustments	10,321,186					3,981,397				3,981,397	6,339,789
Pro Forma Adjusted	1,933,768,675	12,230,307	611,686,977	313,144,441	125,138,173	57,967,318	210,381,919	(1,163,334)	(537,002)	1,328,848,799	604,919,876
Current Month											
System Per Books	410,903,212	183,059,932	62,468,675	45,348,244	27,746,624	(74,322,456)	104,316,806	(108,917)		348,508,909	62,394,303
FPSC Adjusted	155,855,629		44,335,383	28,601,996	8,985,404	(57,861,387)	81,212,535	(98,965)	(39,607)	105,135,360	50,720,269
(a) The addition of earnings from AFUDC charges would increase the System NOI by							5,462,017	pretax			
(b) The addition of earnings from AFUDC charges would increase the Jurisdictional NOI by							4,725,958	pretax			

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	620,994	620,994
	ECCR	F	(38,013,532)	(38,013,532)
	ECRC	F	(418,201,225)	(367,144,679)
	FUEL	F	162,668,483	162,735,014
	CCR	F	(38,587,392)	(38,587,392)
	NUCLEAR	F	(425,522,699)	(422,278,029)
	CR3 Removal	F	(1,275,068,778)	(1,275,068,778)
	Derivatives	F	24,536,986	24,536,986
	Employee Related	F	(1,179,800)	(1,180,207)
	Investments Earning a Return	F	(142,443,202)	(136,436,598)
	Jobbing Accounts	F	(1,558,156)	(1,388,208)
	Non-Regulated and Miscellaneous	F	14,678,103	13,589,508
	Rate Case Regulatory Asset	F	(12,499)	(12,499)
	Retention Accounts	F	3,432,234	3,057,880
(1)	CWIP - AFUDC	F	(30,438,598)	(25,054,253)
(3)	Imputed Off Balance Sheet Obligations	F	835,580,000	776,128,483
(2)	Capital Lease - EPIS	F	(176,450,762)	(164,489,165)
(2)	Capital Lease - Working Capital	F	175,346,244	163,459,522
	Total		(1,330,613,597)	(1,325,524,952)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(5,553,756)	2,142,361	(5,556,745)	2,143,514
	ECRC	F	(39,397,131)	15,197,443	(40,537,570)	15,637,367
	FUEL	F	(16,886,487)	6,513,962	(16,886,487)	6,513,962
	CCR	F				
	NUCLEAR	F	(16,227,252)	6,259,663	(16,235,533)	6,262,857
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,054,839	(1,178,404)	2,847,751	(1,098,520)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(209,699,316)	80,891,511	(209,699,316)	80,891,511
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	205,533,674	(79,284,615)	205,533,674	(79,284,615)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	578,136	(223,016)	537,002	(207,148)
(1)	INST./PROMOTIONAL ADVERTISING	F	588,182	(226,891)	548,309	(211,510)
(1)	INTEREST ON TAX DEFICIENCY	F	305,858	(117,985)	285,124	(109,987)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(150,639)	58,109	(140,427)	54,170
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	99,987	(38,570)	93,209	(35,955)
(2)	PARENT DEBT ADJUSTMENT	F		10,226,234		9,268,956
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,648,398	(635,870)	1,536,653	(592,764)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(10,163,105)		(10,163,105)
	Total		(76,105,507)	29,420,827	(77,674,355)	29,068,734

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	13,866,006,039	5,146,252,371	8,719,753,668	120,899,848	350,914,033	9,191,567,549	2,385,263,909	11,576,831,458
Regulatory Base - Retail	12,548,956,200	4,735,740,606	7,813,215,593	104,803,242	310,948,913	8,228,967,749	2,359,487,298	10,588,455,047
FPSC Adjustments								
ARO	(16,841,368)	(31,023,094)	14,181,726			14,181,726	(11,529,598)	2,652,128
ECCR	(40,174,649)	(5,432,543)	(34,742,106)		(7,672,003)	(42,414,109)	5,093,217	(37,320,892)
ECRC	(114,114,691)	(6,317,867)	(107,796,824)		(12,699,033)	(120,495,857)	(16,194,444)	(136,690,301)
FUEL	(28,969,382)	(28,098,901)	(870,481)			(870,481)	163,603,557	162,733,076
CCR							(38,587,392)	(38,587,392)
NUCLEAR					(42,291,079)	(42,291,079)	(379,919,476)	(422,210,555)
CR3 Removal							(1,275,068,778)	(1,275,068,778)
Derivatives							24,536,986	24,536,986
Employee Related							(1,180,207)	(1,180,207)
Investments Earning a Return							(136,436,598)	(136,436,598)
Jobbing Accounts							(1,388,208)	(1,388,208)
Non-Regulated and Miscellaneous	(30,257,750)	(47,302,181)	17,044,431			17,044,431	(3,050,841)	13,993,590
Rate Case Regulatory Asset							(12,499)	(12,499)
Retention Accounts							3,057,880	3,057,880
CWIP - AFUDC					(50,556,990)	(50,556,990)		(50,556,990)
Imputed Off Balance Sheet Obligations							776,128,483	776,128,483
Capital Lease	(158,580,257)		(158,580,257)			(158,580,257)	163,459,522	4,879,264
Total FPSC Adjustments	(388,938,097)	(118,174,587)	(270,763,511)		(113,219,105)	(383,982,616)	(727,488,396)	(1,111,471,012)
FPSC Adjusted	12,160,018,102	4,617,566,020	7,542,452,083	104,803,242	197,729,808	7,844,985,133	1,631,998,902	9,476,984,035

Notes	Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
	ARO	F	2,652,128	2,652,128
	ECCR	F	(37,320,892)	(37,320,892)
	ECRC	F	(175,836,562)	(136,690,301)
	FUEL	F	162,666,397	162,733,076
	CCR	F	(38,587,392)	(38,587,392)
	NUCLEAR	F	(425,450,056)	(422,210,555)
	CR3 Removal	F	(1,275,068,778)	(1,275,068,778)
	Derivatives	F	24,536,986	24,536,986
	Employee Related	F	(1,179,800)	(1,180,207)
	Investments Earning a Return	F	(142,443,202)	(136,436,598)
	Jobbing Accounts	F	(1,558,156)	(1,388,208)
	Non-Regulated and Miscellaneous	F	15,082,185	13,993,590
	Rate Case Regulatory Asset	F	(12,499)	(12,499)
	Retention Accounts	F	3,432,234	3,057,880
(1)	CWIP - AFUDC	F	(58,332,227)	(50,556,990)
(3)	Imputed Off Balance Sheet Obligations	F	835,580,000	776,128,483
(2)	Capital Lease - EPIS	F	(170,112,161)	(158,580,257)
(2)	Capital Lease - Working Capital	F	175,346,244	163,459,522
	Total		(1,106,605,550)	(1,111,471,012)

Notes	Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
			Amount	Income Tax Effect	Amount	Income Tax Effect
	ECCR	F	(5,553,756)	2,142,361	(5,556,745)	2,143,514
	ECRC	F	(39,397,131)	15,197,443	(40,537,570)	15,637,367
	FUEL	F	(16,886,487)	6,513,962	(16,886,487)	6,513,962
	CCR	F				
	NUCLEAR	F	(16,227,252)	6,259,663	(16,235,533)	6,262,857
(2)	CORPORATE AIRCRAFT ALLOCATION	F	3,054,839	(1,178,404)	2,847,751	(1,098,520)
(1)	FRANCHISE FEE & GROSS RECEIPTS	F	(209,699,316)	80,891,511	(209,699,316)	80,891,511
(1)	FRANCHISE FEES & GROSS REC TAX - TOI	F	205,533,674	(79,284,615)	205,533,674	(79,284,615)
(1)	GAIN/LOSS ON DISPOSITION & OTHER	F	578,136	(223,016)	537,002	(207,148)
(1)	INST./PROMOTIONAL ADVERTISING	F	588,182	(226,891)	548,309	(211,510)
(1)	INTEREST ON TAX DEFICIENCY	F	305,858	(117,985)	285,124	(109,987)
(1)	MISCELLANEOUS INTEREST EXPENSE	F	(150,639)	58,109	(140,427)	54,170
(1)	REMOVE ASSOC/ORGANIZATION DUES	F	99,987	(38,570)	93,209	(35,955)
(2)	PARENT DEBT ADJUSTMENT	F		10,226,234		9,268,956
(2)	DIRECTORS & OFFICERS PREMIUM	F	1,648,398	(635,870)	1,536,653	(592,764)
(1)	INTEREST SYNCHRONIZATION - FPSC	F		(10,163,105)		(10,163,105)
	Total		(76,105,507)	29,420,827	(77,674,355)	29,068,734

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	\$ 724,456,949
AFUDC - DEBT	\$ 2,309,629
INCOME TAXES	\$ 333,127,712
TOTAL	\$ 1,059,894,290
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 251,528,319
TIE WITH AFUDC	<u>4.21</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$ 724,456,949
AFUDC - EQUITY	(3,152,388)
INCOME TAXES	333,127,712
TOTAL	\$ 1,054,432,273
INTEREST CHARGES (before deducting AFUDC-Debt & CR3 reg asset carrying charge)	\$ 251,528,319
TIE WITHOUT AFUDC	<u>4.19</u>

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

AFUDC DEBT	\$ 2,309,629
LESS: DIT	-
SUBTOTAL	\$ 2,309,629
AFUDC -EQUITY	\$ 3,152,388
TOTAL	\$ 5,462,017
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$ 526,248,788
PERCENT AFUDC TO AVAILABLE NET INCOME	<u>1.04%</u>

D. PERCENT INTERNALLY GENERATED FUNDS*

NET INCOME	\$ 529,592,859
COMMON DIVIDENDS	(225,000,000)
AFUDC (EQUITY)	(3,517,762)
DEPRECIATION & AMORTIZATION	507,981,177
DEFERRED INCOME TAXES	334,183,407
INVESTMENT TAX CREDITS	(1,293,658)
DEFERRED FUEL NET	-
OTHER - INC NUCLEAR DECOMMISSIONING	(69,510,925)
OTHER FUNDS - INCLUDING CHANGE IN WORKING CAPITAL	(591,237,297)
TOTAL FUNDS PROVIDED	\$ 481,197,801
CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC EQUITY & DEBT)	\$ 693,742,186
PERCENTAGE INTERNALLY GENERATED FUNDS	69.36%

*Updated quarterly as of September 2014

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

Common Equity	\$ 4,263,886,060
Preferred Stock	\$ -
Long Term Debt	\$ 3,420,614,934
Short Term Debt	\$ 147,546,437
TOTAL	\$ 7,832,047,431
% LONG TERM DEBT TO TOTAL	43.67%
% SHORT TERM DEBT TO TOTAL	1.88%

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

	Pro Forma	FPSC
FPSC AVERAGE		
EARNED RATE OF RETURN	6.63%	6.56%
LESS RETAIL WEIGHTED AVERAGE COST RATES FOR:		
LONG TERM DEBT	1.93%	1.93%
SHORT TERM DEBT	0.02%	0.02%
CUSTOMER DEPOSITS	0.04%	0.04%
DEFERRED INCOME TAXES		
INVESTMENT TAX CREDITS		
DEFERRED INCOME TAX (FAS 109)		
SUBTOTAL	1.99%	1.99%
TOTAL	4.64%	4.57%
DIVIDED BY COMMON EQUITY RATIO	46.74%	46.74%
JURISDICTIONAL RETURN ON COMMON EQUITY	9.93%	9.79%