



February 29, 2016

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's Forecasted Earnings Surveillance Report for the calendar year 2016.

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

dc
Attachment

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

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

SCHEDULE 1

**Company : Duke Energy Florida
Year 2016**

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted
I. AVERAGE RATE OF RETURN			
(Jurisdictional)			
NET OPERATING INCOME	\$ 706,188,351 (a)	\$ (51,474,532) (b)	\$ 654,713,819
AVERAGE RATE BASE	\$ 11,078,981,854	\$ (752,286,955)	\$ 10,326,694,899
AVERAGE RATE OF RETURN	<u>6.37%</u>		<u>6.34%</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>5.07</u>	(SYSTEM PER BOOKS BASIS)	
B. TIE WITHOUT AFUDC	<u>4.85</u>	(SYSTEM PER BOOKS BASIS)	
C. AFUDC TO NET INCOME	<u>7.59%</u>	(SYSTEM PER BOOKS BASIS)	
D. INTERNALLY GENERATED FUNDS	<u>67.76%</u>	(SYSTEM PER BOOKS BASIS)	
E. LTD TO TOTAL INVESTOR FUNDS	<u>41.04%</u>	(FPSC ADJUSTED BASIS)	
F. STD TO TOTAL INVESTOR FUNDS	<u>3.87%</u>	(FPSC ADJUSTED BASIS)	
G. RETURN ON COMMON EQUITY	<u>9.53%</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	\$14,918,432,489	\$5,441,493,867	\$9,476,938,623	\$122,180,930	\$973,757,550	\$10,572,877,102	\$1,651,695,781	\$12,224,572,883
Regulatory Base - Retail	\$13,529,752,316	\$5,044,601,890	\$8,485,150,426	\$105,913,761	\$893,166,019	\$9,484,230,206	\$1,594,751,649	\$11,078,981,854
FPSC Adjustments								
ARO	(29,226,857)	(31,641,494)	2,414,637			2,414,637	(1,789,256)	625,381
ECCR	(53,413,108)	(10,070,475)	(43,342,633)		(1,226,116)	(44,568,749)	(10,838,562)	(55,407,311)
ECRC	(190,043,623)	(13,951,619)	(176,092,004)		(1,331,460)	(177,423,464)	(6,112,779)	(183,536,243)
FUEL	(28,931,074)	(28,550,087)	(380,986)			(380,986)	183,203,753	182,822,766
CCR							(66,043,574)	(66,043,574)
NUCLEAR					(61,125)	(61,125)	(229,506,880)	(229,568,005)
CR3 Removal							(471,594,565)	(471,594,565)
Derivatives							(32,368,548)	(32,368,548)
Employee Related							(363)	(363)
Investments Earning a Return							(148,652,744)	(148,652,744)
Jobbing Accounts							(610,911)	(610,911)
Non-Regulated and Miscellaneous	(47,647,824)	(38,004,833)	(9,642,991)		(58,507)	(9,701,499)	83,215,290	73,513,791
Retention Accounts							1,771,341	1,771,341
CWIP - AFUDC					(603,976,510)	(603,976,510)		(603,976,510)
Imputed Off Balance Sheet Obligations							782,972,174	782,972,174
Capital Lease	(147,583,097)		(147,583,097)			(147,583,097)	145,349,462	(2,233,635)
Total FPSC Adjustments	(496,845,584)	(122,218,508)	(374,627,075)		(606,653,718)	(981,280,793)	228,993,839	(752,286,955)
FPSC Adjusted	\$13,032,906,733	\$4,922,383,382	\$8,110,523,350	\$105,913,761	\$286,512,301	\$8,502,949,412	\$1,823,745,487	\$10,326,694,899

DUKE ENERGY FLORIDA
Average Rate of Return - Income Statement
December 2016

	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)	Total Operating Expenses	Net Operating Income
System Per Books	\$4,569,258,420	\$1,930,281,596	\$795,723,970	\$453,969,032	\$341,215,234	\$25,319,248	\$295,691,272	(146,000)	\$3,842,054,353	\$727,204,067
Regulatory Base - Retail	\$4,321,127,139	\$1,858,741,359	\$757,348,173	\$420,573,678	\$328,263,781	\$12,965,702	\$281,492,771	(132,660)	\$3,659,252,804	\$661,874,335
FPSC Adjustments										
ECCR	(108,808,059)		(95,459,026)	(7,383,812)		(2,301,084)			(105,143,922)	(3,664,137)
ECRC	(69,241,492)		(41,262,851)	(7,956,221)	(1,259,735)	(7,237,706)			(57,716,513)	(11,524,980)
FUEL	(1,475,906,414)	(1,473,021,407)	(1,007,213)			(724,359)			(1,474,752,979)	(1,153,435)
CCR	(394,552,029)	(385,719,952)	(284,077)			(3,297,391)			(389,301,420)	(5,250,609)
NUCLEAR	(58,674,098)		(42,245)	(43,680,000)		(5,767,677)			(49,489,922)	(9,184,175)
Non-Regulated and Miscellaneous				(448,080)		172,847			(275,233)	275,233
CORPORATE AIRCRAFT ALLOCATION			(2,176,158)			839,453			(1,336,705)	1,336,705
FRANCHISE FEE & GROSS RECEIPTS	(195,810,860)					(75,534,039)			(75,534,039)	(120,276,820)
FRANCHISE FEES & GROSS REC TAX - TOI					(195,810,860)	75,534,039			(120,276,820)	120,276,820
INST./PROMOTIONAL ADVERTISING			(4,661,050)			1,798,000			(2,863,050)	2,863,050
MISCELLANEOUS INTEREST EXPENSE			124,405			(47,989)			76,416	(76,416)
REMOVE ASSOC/ORGANIZATION DUES			(25,617)			9,882			(15,735)	15,735
PARENT DEBT ADJUSTMENT						(14,502,240)			(14,502,240)	14,502,240
DIRECTORS & OFFICERS PREMIUM			(2,873,873)			1,108,596			(1,765,276)	1,765,276
INTEREST SYNCHRONIZATION - FPSC						(2,934,995)			(2,934,995)	2,934,995
Total FPSC Adjustments	(2,302,992,951)	(1,858,741,359)	(147,667,706)	(59,468,113)	(197,070,594)	(32,884,662)			(2,295,832,435)	(7,160,516)
FPSC Adjusted	2,018,134,188		609,680,467	361,105,565	131,193,187	(19,918,961)	281,492,771	(132,660)	1,363,420,369	654,713,819
Pro Forma Adjustments										
Pro Forma Adjusted	2,018,134,188		609,680,467	361,105,565	131,193,187	(19,918,961)	281,492,771	(132,660)	1,363,420,369	654,713,819
Current Month										
System Per Books	350,912,013	147,639,826	69,204,109	37,923,647	26,922,860	870,395	18,140,868	(12,166)	300,689,540	50,222,473
FPSC Adjusted	153,994,196		51,537,178	30,386,514	10,902,196	795,630	16,817,684	(11,054)	110,428,147	43,566,049

(a) The addition of earnings from AFUDC charges would increase the System NOI by 48,312,526
(b) The addition of earnings from AFUDC charges would increase the Jurisdictional NOI by 44,314,015

Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
ARO	F	625,381	625,381
ECCR	F	(55,407,311)	(55,407,311)
ECRC	F	(191,492,859)	(183,536,243)
FUEL	F	182,793,583	182,822,766
CCR	F	(69,750,715)	(66,043,574)
NUCLEAR	F	(227,840,758)	(229,568,005)
CR3 Removal	F	(471,594,565)	(471,594,565)
Derivatives	F	(32,368,548)	(32,368,548)
Employee Related	F	(407)	(363)
Investments Earning a Return	F	(155,768,668)	(148,652,744)
Jobbing Accounts	F	(685,700)	(610,911)
Non-Regulated and Miscellaneous	F	73,601,248	73,513,791
Retention Accounts	F	1,988,193	1,771,341
CWIP - AFUDC	F	(657,663,857)	(603,976,510)
Imputed Off Balance Sheet Obligations	F	842,947,918	782,972,174
Capital Lease - EPIS	F	(158,315,291)	(147,583,097)
Capital Lease - Working Capital	F	155,919,227	145,349,462
Total		(763,013,129)	(752,286,955)

Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
		Amount	Income Tax Effect	Amount	Income Tax Effect
ECCR	F	(5,802,399)	2,238,275	(5,965,221)	2,301,084
ECRC	F	(16,306,476)	6,290,223	(18,762,685)	7,237,706
FUEL	F	(1,950,067)	752,238	(1,877,794)	724,359
CCR	F	(8,547,999)	3,297,391	(8,547,999)	3,297,391
NUCLEAR	F	(14,951,852)	5,767,677	(14,951,852)	5,767,677
Non-Regulated and Miscellaneous	F	448,080	(172,847)	448,080	(172,847)
CORPORATE AIRCRAFT ALLOCATION	F	2,334,408	(900,498)	2,176,158	(839,453)
FRANCHISE FEE & GROSS RECEIPTS	F	(195,810,860)	75,534,039	(195,810,860)	75,534,039
FRANCHISE FEES & GROSS REC TAX - TOI	F	195,810,860	(75,534,039)	195,810,860	(75,534,039)
INST./PROMOTIONAL ADVERTISING	F	5,000,000	(1,928,750)	4,661,050	(1,798,000)
MISCELLANEOUS INTEREST EXPENSE	F	(133,452)	51,479	(124,405)	47,989
REMOVE ASSOC/ORGANIZATION DUES	F	27,480	(10,600)	25,617	(9,882)
PARENT DEBT ADJUSTMENT	F		16,000,000		14,502,240
DIRECTORS & OFFICERS PREMIUM	F	3,082,860	(1,189,213)	2,873,873	(1,108,596)
INTEREST SYNCHRONIZATION - FPSC	F		3,700,160		2,934,995
Total		(36,799,418)	33,895,535	(40,045,179)	32,884,662

DUKE ENERGY FLORIDA
Average - Capital Structure
FPSC Adjusted Basis
December 2016

Schedule 3

	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	\$4,891,683,507	\$4,424,721,682	(\$437,412,331)	\$748,390,701	\$4,735,700,053	45.86%	9.50%	4.36%	10.50%	4.82%	11.50%	5.27%
Long Term Debt	4,327,976,219	3,914,826,090	(387,005,856)		3,527,820,233	34.16%	5.49%	1.88%	5.49%	1.88%	5.49%	1.88%
Short Term Debt	407,430,962	368,537,459	(36,432,309)	130,552	332,235,702	3.22%	0.96%	0.03%	0.96%	0.03%	0.96%	0.03%
Customer Deposits												
Active	222,269,727	222,269,727	(21,972,799)		200,296,928	1.94%	3.32%	0.06%	3.32%	0.06%	3.32%	0.06%
Inactive	1,603,209	1,603,209	(158,488)		1,444,721	0.01%						
Investment Tax Credits *	206,512	186,798	(18,466)		168,332	0.00%						
Deferred Income Taxes	2,587,662,647	2,340,643,462	(231,387,731)	(405,579,260)	1,703,676,471	16.50%						
FAS 109 DIT - Net	(214,259,898)	(193,806,573)	19,159,032		(174,647,541)	-1.69%						
Total	\$12,224,572,884	\$11,078,981,854	(\$1,095,228,948)	\$342,941,993	\$10,326,694,899	100.00%		6.33%		6.79%		7.24%

* Cost Rates Calculated Per IRS Ruling

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

SCHEDULE 4

**Company : Duke Energy Florida
Year 2016**

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST	\$	749,499,881
AFUDC - DEBT		16,996,446
INCOME TAXES		330,722,487
TOTAL	\$	<u>1,097,218,813</u>
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	<u>216,274,627</u>
TIE WITH AFUDC		<u><u>5.07</u></u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$	749,499,881
AFUDC - EQUITY		(31,316,081)
INCOME TAXES		330,722,487
TOTAL	\$	<u>1,048,906,287</u>
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	<u>216,274,627</u>
TIE WITHOUT AFUDC		<u><u>4.85</u></u>

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

AFUDC DEBT	\$	16,996,446
X (1- INCOME TAX RATE)		0.61425
SUBTOTAL	\$	<u>10,440,067</u>
AFUDC -EQUITY	\$	<u>31,316,081</u>
TOTAL	\$	<u>41,756,148</u>
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$	<u>550,221,699</u>
PERCENT AFUDC TO AVAILABLE NET INCOME		<u><u>7.59%</u></u>

D. PERCENT INTERNALLY GENERATED FUNDS

NET INCOME	\$	550,221,699
COMMON DIVIDENDS		(775,000,000)
AFUDC (EQUITY)		(31,316,081)
DEPRECIATION & AMORTIZATION		453,969,032
DEFERRED INCOME TAXES		247,007,043
INVESTMENT TAX CREDITS		(146,000)
DEFERRED FUEL NET		69,768,835
OTHER FUNDS - INCLUDING CHANGE IN WORKING CAPITAL		450,857,485
TOTAL FUNDS PROVIDED	\$	<u>965,362,013</u>

CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC EQUITY & DEBT)	\$	<u>1,424,673,921</u>
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PERCENTAGE INTERNALLY GENERATED FUNDS 67.76%

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	\$	3,527,820,233
SHORT TERM DEBT		332,235,702
COMMON EQUITY		4,735,700,053
TOTAL	\$	<u>8,595,755,988</u>
% LONG TERM DEBT TO TOTAL		<u><u>41.04%</u></u>
% SHORT TERM DEBT TO TOTAL		<u><u>3.87%</u></u>

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

FPSC AVERAGE EARNED RATE OF RETURN		<u>6.34%</u>
LESS RETAIL WEIGHTED AVERAGE COST RATES FOR:		
LONG TERM DEBT		1.88%
SHORT TERM DEBT		0.03%
CUSTOMER DEPOSITS		0.06%
DEFERRED INCOME TAXES		0.00%
INVESTMENT TAX CREDITS		0.00%
DEFERRED INCOME TAX (FAS 109)		0.00%
SUBTOTAL		<u>1.97%</u>
TOTAL		4.37%
DIVIDED BY COMMON EQUITY RATIO		<u>45.86%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY		<u><u>9.53%</u></u>

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 FORECAST ASSUMPTIONS

SCHEDULE 5

Company : Duke Energy Florida
 Year 2016

FORECAST ASSUMPTIONS

	<u>Forecast Year</u>	<u>Prior Year Actual</u>
<u>Retail Customers</u>		
Residential	1,548,212	1,524,605
Commercial	171,681	169,147
Industrial	2,232	2,243
Other	26,010	25,853
Total	1,748,134	1,721,849
<u>Retail mWh Sales</u>		
Residential	19,691,877	19,931,985
Commercial	11,954,483	12,070,127
Industrial	3,202,641	3,292,522
Other	3,195,775	3,258,550
Total	38,044,776	38,553,183

OTHER MAJOR FORECAST ASSUMPTIONS

Revenues

Retail revenues are based on the 2016 budget plan. 2015 actual mWh sales include 796 mWh sales due to weather. Weather normalized retail sales mWh's are expected to be higher in 2016 than 2015. Total wholesale mWh sales are budgeted at 1.4 million mWhs.

Operation and Maintenance Expenses

Total base recoverable O&M expenses are budgeted at \$659 million. FUEL, ECCR, and ECRC expenses are budgeted at \$1,930 million, \$95 million, and \$41 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. The budget assumes the CR3 Regulatory Asset will be securitized April 2016.

Financing Activity


The budget has a \$600 million debt issuance in August and a dividend contribution of \$650 million in April and \$125 million in August.

Deferred Income Taxes

The 2016 budget includes bonus tax depreciation expense of \$443 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 _____ Name	 _____ Signature
Director Rates & Regulatory Planning - FL _____ Title	2/29/16 _____ 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 2016

	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. Florida Citrus County CC	Construction of a 2 Unit 2x1 Combined Cycle at the Crystal River Energy Complex for the new generation and transmission of 1,640 MW of output	\$1,500,000,000	1/1/2016	Unit 1: May 2018 Unit 2: Dec 2018
2. Citrus Combined Cycle Transmission - Transmission Sponsored work	Transmission funded transmission work to support new Citrus Combined Cycle Plant, which includes remote-end substation protection & control modifications and telecommunication modifications.	\$13,500,000	2/4/2016	12/31/2017
3. CR Retirement - Suwannee River 230KV	Retire the existing 230kV yard at Suwannee and build a new 230kV yard.	\$30,000,000	1/28/2016	8/1/2017
4. CR Retirement - Suwannee Transmission Substation 115kv Switchyard	Construct a new 115kV switchyard adjacent to the existing Suwannee River 230/115kV substation.	\$29,700,000	2/2/2016	12/1/2017
5. Dona Vista - New 230/69KV Substation	Construct new 230/69KV substation.	\$28,800,000	7/14/2016	8/29/2017
6. CREC 230kV and 500kV Switchyard Modifications for Retirement of Power Plant Units	Modify the 500Kv and 230kV switchyards at the Crystal River facility to interface with the new Citrus County Combined Cycle plant and to allow for existing plant retirements.	\$24,000,000	5/31/2016	12/1/2017
7. Ft White Replace 115kV Switchyard and 115/69kV Transformer	Upgrade/replace the 115kV yard at Ft White substation and replace the 115/69kV transformer.	\$17,000,000	2/1/2016	5/1/2017