



March 15, 2018

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 2018.

Should you have any questions, please do not hesitate to contact me at (727) 820-5653.

Sincerely,

A handwritten signature in blue ink that reads "Marcia Olivier".

Marcia Olivier
Director Rates & Regulatory Planning

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 2018**

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted
I. AVERAGE RATE OF RETURN			
(Jurisdictional)			
NET OPERATING INCOME	\$ 829,510,219 (a)	\$ (91,706,096) (b)	\$ 737,804,123
AVERAGE RATE BASE	\$ 13,308,213,301	\$ (1,448,339,495)	\$ 11,859,873,806
AVERAGE RATE OF RETURN	<u>6.23%</u>		<u>6.22%</u>
(a) INCLUDES AFUDC EARNINGS			
(b) INCLUDES REVERSAL OF AFUDC EARNINGS			
III. REQUIRED RATES OF RETURN			
AVERAGE CAPITAL STRUCTURE			
(FPSC ADJUSTED BASIS)			
LOW	<u>6.08%</u>		
MIDPOINT	<u>6.52%</u>		
HIGH	<u>6.96%</u>		
IV. FINANCIAL INTEGRITY INDICATORS			
A. TIE WITH AFUDC	<u>3.98</u>	(SYSTEM PER BOOKS BASIS)	
B. TIE WITHOUT AFUDC	<u>3.70</u>	(SYSTEM PER BOOKS BASIS)	
C. AFUDC TO NET INCOME	<u>10.68%</u>	(SYSTEM PER BOOKS BASIS)	
D. INTERNALLY GENERATED FUNDS	<u>120.38%</u>	(SYSTEM PER BOOKS BASIS)	
E. LTD TO TOTAL INVESTOR FUNDS	<u>47.31%</u>	(FPSC ADJUSTED BASIS)	
F. STD TO TOTAL INVESTOR FUNDS	<u>-0.67%</u>	(FPSC ADJUSTED BASIS)	
G. RETURN ON COMMON EQUITY	<u>9.83%</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	\$17,062,758,242	\$5,667,622,712	\$11,395,135,530	\$130,505,308	\$1,407,191,002	\$12,932,831,840	\$1,774,414,760	\$14,707,252,309
Regulatory Base - Retail	\$15,473,352,118	\$5,258,595,016	\$10,214,757,102	\$114,492,246	\$1,242,879,903	\$11,572,129,251	\$1,736,084,050	\$13,308,213,301
FPSC Adjustments								
ARO	(19,120,519)	(16,837,725)	(2,282,794)			(2,282,794)	2,904,365	621,571
ECCR	(46,542,867)	(30,790,276)	(15,752,591)		(317,438)	(16,070,029)	(16,972,695)	(33,042,724)
ECRC	(191,198,806)	(19,573,088)	(171,625,718)		(40,136,151)	(211,761,869)	(6,689,261)	(218,451,130)
FUEL	(26,275,484)	(26,195,892)	(79,592)			(79,592)	(64,877,601)	(64,957,193)
CCR							(124,469,091)	(124,469,091)
NUCLEAR					(7,788)	(7,788)	(68,160,413)	(68,168,201)
Under Recovery-Clauses							(152,916,837)	(152,916,837)
Derivatives							(323,554)	(323,554)
Employee Related							381	381
Investments Earning a Return							(151,467,668)	(151,467,668)
Jobbing Accounts							(611,163)	(611,163)
Non-Regulated and Miscellaneous	(45,703,418)	(36,521,414)	(9,182,004)	(87,379,077)		(96,561,081)	93,530,418	(3,030,663)
CWIP - AFUDC					(1,015,849,997)	(1,015,849,997)		(1,015,849,997)
Imputed Off Balance Sheet Obligations							648,422,000	648,422,000
Capital Lease	(124,605,378)		(124,605,378)			(124,605,378)	120,913,566	(3,691,812)
Storm Reserve Deficiency							(260,403,414)	(260,403,414)
Total FPSC Adjustments	(453,446,472)	(129,918,395)	(323,528,077)	(87,379,077)	(1,056,311,374)	(1,467,218,528)	18,879,033	(1,448,339,495)
FPSC Adjusted	\$15,019,905,646	\$5,128,676,621	\$9,891,229,025	\$27,113,169	\$186,568,529	\$10,104,910,723	\$1,754,963,083	\$11,859,873,806

DUKE ENERGY FLORIDA
Average Rate of Return - Income Statement
December 2018

	Operating Revenues	Fuel & Net Interchange	O&M Other	Depr & Amort	Taxes Other than Income	Income Taxes Current	Deferred Income Tax (Net)	Total Operating Expenses	Net Operating Income
System Per Books	\$4,875,746,091	\$2,067,914,703	\$923,232,950	\$567,272,004	\$384,194,439	(26,087,316)	\$130,879,506	\$4,047,406,286	\$828,339,805
Regulatory Base - Retail	\$4,634,310,885	\$1,995,041,250	\$880,245,286	\$529,694,281	\$369,889,966	(37,822,112)	\$133,061,573	\$3,870,110,244	\$764,200,641
FPSC Adjustments									
ECCR	(111,626,051)		(103,692,054)	(4,757,238)		(805,150)		(109,254,442)	(2,371,609)
ECRC	(59,892,112)		(33,658,978)	(2,977,017)	(1,361,385)	(5,549,220)		(43,546,600)	(16,345,512)
FUEL	(1,605,033,443)	(1,600,131,632)	(1,153,613)			(949,981)		(1,602,235,226)	(2,798,217)
CCR	(421,350,005)	(394,909,618)	(303,372)	(19,054,224)		(1,795,133)		(416,062,347)	(5,287,658)
NUCLEAR	(49,784,458)		(35,845)	(43,680,000)		(1,538,090)		(45,253,935)	(4,530,523)
CORPORATE AIRCRAFT ALLOCATION			(2,082,930)			527,919		(1,555,011)	1,555,011
FRANCHISE FEE & GROSS RECEIPTS	(224,725,381)					(56,956,648)		(56,956,648)	(167,768,733)
FRANCHISE FEES & GROSS REC TAX - TOI					(224,725,381)	56,956,648		(167,768,733)	167,768,733
INST./PROMOTIONAL ADVERTISING			(2,019,010)			511,718		(1,507,292)	1,507,292
MISCELLANEOUS INTEREST EXPENSE			113,275			(28,710)		84,565	(84,565)
REMOVE ASSOC/ORGANIZATION DUES			(92,054)			23,331		(68,723)	68,723
PARENT DEBT ADJUSTMENT						(10,343,299)		(10,343,299)	10,343,299
DIRECTORS & OFFICERS PREMIUM			(1,179,048)			298,830		(880,218)	880,218
INTEREST SYNCHRONIZATION - FPSC						9,332,977		9,332,977	(9,332,977)
Total FPSC Adjustments	(2,472,411,450)	(1,995,041,250)	(144,103,629)	(70,468,479)	(226,086,766)	(10,314,808)		(2,446,014,932)	(26,396,518)
FPSC Adjusted	2,161,899,435		736,141,657	459,225,802	143,803,200	(48,136,920)	133,061,573	1,424,095,312	737,804,123

(a) The addition of earnings from AFUDC charges would increase the System NOI by **73,943,629**
(b) The addition of earnings from AFUDC charges would increase the Jurisdictional NOI by **65,309,578**

Rate Base Adjustments	P=ProForma F=FPSC	System	Retail
ARO	F	621,571	621,571
ECCR	F	(33,746,621)	(33,042,724)
ECRC	F	(232,880,157)	(218,451,130)
FUEL	F	(64,963,289)	(64,957,192)
CCR	F	(124,469,091)	(124,469,091)
NUCLEAR	F	(68,168,798)	(68,168,201)
Under Recovery-Clauses	F	(152,916,837)	(152,916,837)
Derivatives	F	(323,554)	(323,554)
Employee Related	F	403	381
Investments Earning a Return	F	(154,829,965)	(151,467,668)
Jobbing Accounts	F	(647,076)	(611,163)
Non-Regulated and Miscellaneous	F	(9,723,910)	(3,030,664)
CWIP - AFUDC	F	(1,140,750,044)	(1,015,849,997)
Imputed Off Balance Sheet Obligations	F	698,091,189	648,422,000
Capital Lease	F	(3,960,280)	(3,691,812)
Storm Reserve Deficiency		(260,403,414)	(260,403,414)
Total		(1,549,069,873)	(1,448,339,495)

Income Statement Adjustments (to NOI)	P=ProForma F=FPSC	System		Retail	
		Amount	Income Tax Effect	Amount	Income Tax Effect
ECCR	F	(3,176,760)	805,150	(3,176,760)	805,150
ECRC	F	(21,894,732)	5,549,220	(21,894,732)	5,549,220
FUEL	F	(3,748,198)	949,981	(3,748,198)	949,981
CCR	F	(7,082,791)	1,795,133	(7,082,791)	1,795,133
NUCLEAR	F	(6,068,613)	1,538,090	(6,068,613)	1,538,090
CORPORATE AIRCRAFT ALLOCATION	F	2,234,400	(566,309)	2,082,930	(527,919)
FRANCHISE FEE & GROSS RECEIPTS	F	(224,725,381)	56,956,648	(224,725,381)	56,956,648
FRANCHISE FEES & GROSS REC TAX - TOI	F	224,725,381	(56,956,648)	224,725,381	(56,956,648)
INST./PROMOTIONAL ADVERTISING	F	2,165,832	(548,930)	2,019,010	(511,718)
MISCELLANEOUS INTEREST EXPENSE	F	(121,512)	30,797	(113,275)	28,710
REMOVE ASSOC/ORGANIZATION DUES	F	98,748	(25,028)	92,054	(23,331)
PARENT DEBT ADJUSTMENT	F		11,411,533		10,343,299
DIRECTORS & OFFICERS PREMIUM	F	1,264,788	(320,561)	1,179,048	(298,830)
INTEREST SYNCHRONIZATION - FPSC	F				(9,332,977)
Total		(36,328,838)	20,619,077	(36,711,327)	10,314,808

DUKE ENERGY FLORIDA
Average - Capital Structure
FPSC Adjusted Basis
December 2018

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	\$5,891,599,748	5,323,070,556	(707,195,732)	\$617,119,403	\$5,232,994,227	44.12%	9.50%	4.19%	10.50%	4.63%	11.50%	5.07%
Long Term Debt	5,921,942,306	5,350,485,110	(710,837,889)		4,639,647,221	39.12%	4.70%	1.84%	4.70%	1.84%	4.70%	1.84%
Short Term Debt	(83,297,529)	(75,259,461)	9,998,584		(65,260,877)	-0.55%	0.37%	0.00%	0.37%	0.00%	0.37%	0.00%
Customer Deposits												
Active	207,308,055	207,308,055	(27,541,880)		179,766,175	1.52%	2.36%	0.04%	2.36%	0.04%	2.36%	0.04%
Inactive	1,871,004	1,871,004	(248,572)		1,622,432	0.01%						
Investment Tax Credits *	21,626,622	19,539,690	(2,595,943)		16,943,748	0.14%	7.77%	0.01%	7.77%	0.01%	7.77%	0.01%
Deferred Income Taxes	2,746,202,103	2,481,198,347	(329,639,231)	(297,398,236)	1,854,160,880	15.63%						
Total	\$14,707,252,309	\$13,308,213,301	(\$1,768,060,662)	\$319,721,167	\$11,859,873,806	100.00%		6.08%		6.52%		6.96%

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

SCHEDULE 4

**Company : Duke Energy Florida
Year 2018**

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST	\$	892,351,315
AFUDC - DEBT		26,007,979
INCOME TAXES		123,005,030
TOTAL	\$	<u>1,041,364,324</u>
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	<u>261,434,746</u>
TIE WITH AFUDC		<u>3.98</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$	892,351,315
AFUDC - EQUITY		(47,935,650)
INCOME TAXES		123,005,030
TOTAL	\$	<u>967,420,695</u>
INTEREST CHARGES (BEFORE DEDUCTING AFUDC DEBT)	\$	<u>261,434,746</u>
TIE WITHOUT AFUDC		<u>3.70</u>

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

AFUDC DEBT	\$	26,007,979
X (1- INCOME TAX RATE)		0.74655
SUBTOTAL	\$	<u>19,416,257</u>
AFUDC -EQUITY	\$	<u>47,935,650</u>
TOTAL	\$	<u>67,351,907</u>
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$	<u>630,916,569</u>
PERCENT AFUDC TO AVAILABLE NET INCOME		<u><u>10.68%</u></u>

D. PERCENT INTERNALLY GENERATED FUNDS

NET INCOME	\$	<u>630,916,569</u>
COMMON DIVIDENDS		100,000,000
AFUDC (EQUITY)		(47,935,650)
DEPRECIATION & AMORTIZATION		567,272,004
DEFERRED INCOME TAXES		130,879,506
INVESTMENT TAX CREDITS		-
DEFERRED FUEL NET		216,396,085
OTHER FUNDS - INCLUDING CHANGE IN WORKING CAPITAL		222,567,024
TOTAL FUNDS PROVIDED	\$	<u>1,820,095,538</u>

CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC EQUITY & DEBT)	\$	<u>1,511,998,620</u>
PERCENTAGE INTERNALLY GENERATED FUNDS		120.38%

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	\$	4,639,647,221
SHORT TERM DEBT		(65,260,877)
COMMON EQUITY		5,232,994,227
TOTAL	\$	<u>9,807,380,571</u>
% LONG TERM DEBT TO TOTAL		<u>47.31%</u>
% SHORT TERM DEBT TO TOTAL		<u>-0.67%</u>

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

FPSC AVERAGE		
EARNED RATE OF RETURN		<u>6.22%</u>
LESS RETAIL WEIGHTED AVERAGE COST RATES FOR:		
LONG TERM DEBT		1.84%
SHORT TERM DEBT		0.00%
CUSTOMER DEPOSITS		0.04%
DEFERRED INCOME TAXES		
INVESTMENT TAX CREDITS		0.01%
DEFERRED INCOME TAX (FAS 109)		
SUBTOTAL		<u>1.88%</u>
TOTAL		<u>4.34%</u>
DIVIDED BY COMMON EQUITY RATIO		<u>44.12%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY		<u><u>9.83%</u></u>

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
FORECAST ASSUMPTIONS

SCHEDULE 5

Company: Duke Energy Florida
Year 2018

FORECAST ASSUMPTIONS

	Forecast Year		Prior Year Actual	
	Customers	Mwh Sales	Customers	Mwh Sales
Residential	1,600,162	20,301,241	1,573,260	19,790,794
Commercial	174,068	12,149,544	173,695	11,917,602
Industrial	2,110	3,218,006	2,137	3,120,175
Other	26,432	3,222,190	26,235	3,195,441
Total	1,802,772	38,890,982	1,775,327	38,024,013

OTHER MAJOR FORECAST ASSUMPTIONS

Revenues

Retail revenues are based on the 2018 budget plan. 2017 actual sales were reduced by 240,075 mWh due to weather. Revenues include the Citrus County combined cycle units to be filed in 2018 as generation base rate adjustments (GBRA) pursuant to the 2017 Second Revised & Restated Settlement Agreement approved in Order No. PSC 2017-0451-AS-EU ("2017 Settlement Agreement"). These revenues were calculated at the new tax rate.

Operation and Maintenance Expenses

Total base recoverable O&M expenses are budgeted at \$784 million, which include \$160 million of storm charges as an offset to the 2017 Tax Cuts & Jobs Act savings pursuant to the 2017 Settlement Agreement. FUEL, ECCR, and ECRC expenses are budgeted at \$2,068 million, \$104 million, and \$35 million, respectively.

Depreciation Expense

Depreciation expense is based on rates effective 1/1/2010 per Order PSC-10-0131-FOF-EI. Pursuant to the 2017 Settlement Agreement, depreciation and amortization expense includes \$50 million of Crystal River 4&5 accelerated depreciation as an offset to the 2017 Tax Cuts & Jobs Act savings.

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 the 2017 Settlement Agreement, a specific adjustment was made to remove CR3 from the deferred income tax liability in capital structure. The CR3 Regulatory Asset was securitized in June 2016.

Financing Activity

The budget has a \$900 million debt issuance in June and \$100 million dividend contribution in September 2018.

Off Balance Sheet Obligations

Pursuant to the 2017 Settlement Agreement, a specific adjustment was made to common equity and working capital for off-balance sheet obligations in the amount of \$698 million (system).

Levy Land

An adjustment was made to remove \$94,072,323 (system), or \$87,379,077 (retail), of Levy Land per the 2017 Settlement Agreement.

2017 Tax Cuts & Jobs Act

As a result of the 2017 Tax Cuts & Jobs Act, there is no bonus tax depreciation in the 2018 budget and the new combined Federal & State income tax rate of 25.345% is used beginning January 2018. Based on a preliminary calculation of the Exhibit 6 in the 2017 Settlement Agreement, this forecast includes a preliminary estimated pretax impact of tax savings (including amortization of excess deferred taxes) of \$210 million offset by storm O&M of \$160 million & CR 4&5 accelerated depreciation of \$50 million, as approved by the Commission in order number PSC-2018-0103-PCO-EI. The following table provides the estimated preliminary impacts:

<u>Annual Net Income Impact (Retail)</u>	<u>Debit / (Credit)</u>
Storm O&M Expense	160,152,401
CR4&5 Accelerated Depreciation	50,000,000
Pretax Expense	<u>210,152,401</u>
Income Tax Expense - Pretax Excess x 25.345%	(53,263,126)
Income Tax Savings per Estimated Exhibit 6	(100,198,122)
Amortization of Excess ADIT	(56,691,153)
Reduction in Tax Expense	<u>(210,152,401)</u>

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

Marcia Olivier

Signature

Director Rates & Regulatory Planning - FL

Title

3/15/18

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 2018**

		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.	Hamilton Solar Power Plant	Construct new Solar PV Facility to generate 74.9 Mwac	\$ 122,000,000	Jun-18	Feb-19
2.	2020 Solar Power Plant #1	Construct new Solar PV Facility to generate 74.9 Mwac	\$ 119,000,000	Jun-18	Mar-20
3.	Crawfordville to Carrabelle	Crawfordville to Carrabelle 69 kV Line Rebuild (31.7 Miles)	\$ 79,071,164	Jul-18	May-24
4.	Gumbay to Carabelle	Gumbay to Carabelle - 115kV Conversion (GBC) from 69 to 115kV	\$ 45,330,762	Jul-18	May-24
5.	Disston to Largo	Disston to Largo – New 230 kV Line	\$ 36,278,925	Apr-18	Nov-25
6.	Brookridge to Twin County Ranch	Brookridge to Twin County Ranch – 115 kV Line Rebuild	\$ 33,995,459	Apr-18	May-21
7.	Vandolah to Whidden	Vandolah to Whidden - Bifurcate 230 kV Line 14.5 mile	\$ 29,000,000	Jan-18	May-21
8.	Spring Valley	Spring Valley – New 230 kV Substation	\$ 27,439,109	Oct-18	Nov-23
9.	Disston to Fortieth Street	Disston to Fortieth Street - New 230kV Line	\$ 27,222,003	Apr-18	Nov-24
10.	Crawfordville to Carrabelle	Crawfordville to Carrabelle - New 115kV Line	\$ 26,043,623	Jul-18	May-24
11.	Gainesville Sub	Gainesville Substation Expansion	\$ 25,055,607	Jan-18	May-20
12.	West Lake Wales to Lake Wales	West Lake Wales to Lake Wales – 69 kV Line Rebuild Ckt #1	\$ 20,079,645	Apr-18	Nov-21
13.	Bayview to Tri-City	Bayview to Tri-City – 115 kV Line Rebuild	\$ 18,192,202	Apr-18	May-25
14.	Davenport to Haines City	Davenport to Haines City – 69 kV Rebuild	\$ 13,643,603	Apr-18	Nov-22
15.	Haines City East to Poinciana	Haines City East to Poinciana – 69 kV Line Rebuild	\$ 13,631,286	Apr-18	May-25
16.	Int City Sub	Int City Substation - Upgrade 230 kV Line Terminal to Cane Island	\$ 12,240,200	Apr-18	May-21
17.	Dallas to Orange Blossom	Dallas to Orange Blossom - Rebuild 69 kV (DLL) Line	\$ 10,982,042	Oct-18	May-25
18.	Cassadaga to Lake Helen	Cassadaga to Lake Helen - New 115kV Line	\$ 10,000,000	Apr-18	May-21