



December 17, 2012

Mr. John Slemkewicz  
Supervisor Electric & Gas Accounting  
Florida Public Service Commission  
2540 Shumard Blvd.  
Tallahassee, Florida 32399-0950

Dear Mr. Slemkewicz:

Subject: Earnings Surveillance Report

Enclosed is the earnings surveillance report (Schedules 1 through 4) for Florida Public Utilities' Consolidated Electric divisions and Consolidated Gas divisions, for the twelve months ended September 30, 2012.

If you have any questions, or need additional information, please let me know.

Sincerely,

  
Curtis D. Young  
Senior Regulatory Analyst

Cc:  
Martin, Cheryl (all)  
Gunster, Yoakley & Stewart PA-Keating, Beth (all)  
Gulf Power Company-Buck, William G. (all Electric only)  
Cutshaw, Mark (all Electric only)  
Shelley, Buddy (all Electric only)  
SJ 45-69 (all)

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DIVISION OF  
ACCOUNTING & FINANCE



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 September 30, 2012

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 7,827,575	(\$173,973)	\$7,653,602	\$1,465,439	\$9,119,041
AVERAGE RATE BASE	\$107,819,711	\$552,160	\$108,371,871	(\$32,578,464)	\$75,793,408
AVERAGE RATE OF RETURN	7.26%		7.06%		12.03%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$7,827,575	(\$174,609)	\$7,652,966	\$1,465,439	\$9,118,405
YEAR-END RATE BASE	\$110,166,396	(\$338,638)	\$109,827,758	(\$31,787,873)	\$78,039,885
YEAR-END RATE OF RETURN	7.11%		6.97%		11.68%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	7.02%				
MIDPOINT	7.51%				
HIGH	8.01%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
			A.	INCL COMP RATE ADJ REVENUES	9.94%
			B.	EXCL COMP RATE ADJ REVENUES	9.94%

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.

Cheryl M. Martin  
 Director - Regulatory Affairs

*Cheryl Martin*  
 Signature

12/12/12  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending September 30, 2012  
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$163,468,412	(\$49,935,771)	\$113,532,641	\$0	\$2,199,491	\$115,732,132	(\$7,912,421)	\$107,819,711
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	(\$1,329,600)	(\$1,329,600)
ELIMINATE ACQUISITION ADJ.	(\$34,377,885)	\$401,533	(\$33,976,352)			(\$33,976,352)		(\$33,976,352)
ELIMINATE REG ASSET	\$0	\$0	\$0			\$0	(\$1,068,004)	(\$1,068,004)
ELIM. NON-UTILITY PLANT	(\$1,974,859)	\$711,442	(\$1,263,416)			(\$1,263,416)		(\$1,263,416)
ACQUISITION ADJUSTMENT	\$34,192,493	(\$2,754,394)	\$31,438,099			\$31,438,099		\$31,438,099
REG ASSET-TRNSCTN & TRNSITN CSTS	\$0	\$0	\$0			\$0	\$1,140,364	\$1,140,364
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,611,069	\$5,611,069
TOTAL FPSC ADJUSTMENTS	(\$2,160,251)	(\$1,641,418)	(\$3,801,669)	\$0	\$0	(\$3,801,669)	\$4,353,829	\$552,160
FPSC ADJUSTED	\$161,308,162	(\$51,577,189)	\$109,730,972	\$0	\$2,199,491	\$111,930,463	(\$3,558,592)	\$108,371,871
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$161,308,162	(\$51,577,189)	\$109,730,972	\$0	\$2,199,491	\$111,930,463	(\$3,558,592)	\$108,371,871
PROFORMA ADJUSTMENTS			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$34,192,493)	\$2,754,394	(\$31,438,099)			(\$31,438,099)		(\$31,438,099)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$1,140,364)	(\$1,140,364)
TOTAL PRO FORMA ADJUSTMENTS	(\$34,192,493)	\$2,754,394	(\$31,438,099)	\$0	\$0	(\$31,438,099)	(\$1,140,364)	(\$32,578,464)
PRO FORMA ADJUSTED	\$127,115,669	(\$48,822,796)	\$78,292,873	\$0	\$2,199,491	\$80,492,364	(\$4,698,956)	\$75,793,408



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending September 30, 2012  
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$166,169,477	(\$53,071,987)	\$113,097,490	\$0	\$4,391,503	\$117,488,993	(\$7,322,598)	\$110,166,396
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	(\$1,989,013)	(\$1,989,013)
ELIMINATE ACQUISITION ADJ.	(\$34,680,175)	\$1,342,269	(\$33,337,906)			(\$33,337,906)		(\$33,337,906)
ELIMINATE REG ASSET			\$0			\$0	(\$1,176,617)	(\$1,176,617)
ELIM. NON-UTILITY PLANT	(\$1,971,473)	\$737,428	(\$1,234,044)			(\$1,234,044)		(\$1,234,044)
ACQUISITION ADJUSTMENT	\$34,192,493	(\$3,324,268)	\$30,868,225			\$30,868,225		\$30,868,225
REG ASSET-TRNSCTN & TRNSITN CSTS	\$0	\$0	\$0			\$0	\$919,648	\$919,648
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,611,069	\$5,611,069
TOTAL FPSC ADJUSTMENTS	(\$2,459,155)	(\$1,244,571)	(\$3,703,725)	\$0	\$0	(\$3,703,725)	\$3,365,087	(\$338,638)
FPSC ADJUSTED	\$163,710,323	(\$54,316,558)	\$109,393,765	\$0	\$4,391,503	\$113,785,268	(\$3,957,510)	\$109,827,758
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$163,710,323	(\$54,316,558)	\$109,393,765	\$0	\$4,391,503	\$113,785,268	(\$3,957,510)	\$109,827,758
PROFORMA ADJUSTMENTS			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$34,192,493)	\$3,324,268	(\$30,868,225)			(\$30,868,225)		(\$30,868,225)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$919,648)	(\$919,648)
TOTAL PRO FORMA ADJUSTMENTS	(\$34,192,493)	\$3,324,268	(\$30,868,225)	\$0	\$0	(\$30,868,225)	(\$919,648)	(\$31,787,873)
PRO FORMA ADJUSTED	\$129,517,830	(\$50,992,290)	\$78,525,540	\$0	\$4,391,503	\$82,917,043	(\$4,877,158)	\$78,039,885

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending September 30, 2012  
 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$60,540,291	\$ 21,544,158	\$15,469,375	\$7,345,216	\$4,916,376	\$3,437,591				\$52,712,716	\$7,827,575
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH SYNCHRONIZATION						\$9,787				\$9,787	(\$9,787)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (18,673,958)	\$ (18,581,450)			(\$90,747)	(\$679)				(\$18,672,877)	(\$1,081)
3) ELIMINATE CONSERVATION	(\$2,983,213)	\$ (2,962,708)			(\$15,969)	(\$1,750)				(\$2,980,427)	(\$2,786)
4)NON-UTILITY DEPRECIATION EXPENSE				(\$144,417)		\$55,709				(\$88,708)	\$88,708
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$315,032)			(\$312,494)		(\$979)				(\$313,473)	(\$1,559)
ACQUISITION ADJ. - AMORT EXP (DEDUCTIBLE)				\$62,500		(\$24,109)				\$38,391	(\$38,391)
ACQUISITION ADJ. - AMORT EXP (NON-DEDUCTIBLE)				\$1,077,249		\$0				\$1,077,249	(\$1,077,249)
TRANSACTION/TRANSITION COSTS - AMORT EXP (DEDUCTIBLE)				\$237,544		(\$91,633)				\$145,911	(\$145,911)
TRANSITION COSTS - AMORT EXP (NON-DEDUCTIBLE)				\$203,888		\$0				\$203,888	(\$203,888)
NATURAL GAS ALLOCATION ADJUSTMENT			(\$50,807)			\$19,599				(\$31,208)	\$31,208
ELIMINATE ACQUISITION AMORTIZATION				(\$1,342,269)		\$487,458				(\$854,811)	\$854,811
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(\$423,576)		\$92,259				(\$331,317)	\$331,317
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	<u>(\$21,972,203)</u>	<u>(\$21,544,158)</u>	<u>(\$50,807)</u>	<u>(\$641,575)</u>	<u>(\$106,717)</u>	<u>\$545,662</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$21,797,594)</u>	<u>(\$174,609)</u>
FPSC ADJUSTED	<u>\$38,568,088</u>	<u>\$0</u>	<u>\$15,418,568</u>	<u>\$6,703,641</u>	<u>\$4,809,659</u>	<u>\$3,983,253</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30,915,122</u>	<u>\$7,652,966</u>
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)						\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	<u>\$38,568,088</u>	<u>\$0</u>	<u>\$15,418,568</u>	<u>\$6,703,641</u>	<u>\$4,809,659</u>	<u>\$3,983,253</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30,915,122</u>	<u>\$7,652,966</u>
ACQUISITION ADJ. - AMORT EXP (DEDUCTIBLE)				(\$62,500)		\$24,109				(\$38,391)	\$38,391
ACQUISITION ADJ. - AMORT EXP (NON-DEDUCTIBLE)				(\$1,077,249)		\$0				(\$1,077,249)	\$1,077,249
TRANSACTION/TRANSITION COSTS - AMORT EXP (DEDUCTIBLE)				(\$237,544)		\$91,633				(\$145,911)	\$145,911
TRANSITION COSTS - AMORT EXP (NON-DEDUCTIBLE)				(\$203,888)		\$0				(\$203,888)	\$203,888
TOTAL PRO FORMA ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,581,181)</u>	<u>\$0</u>	<u>\$115,742</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,465,439)</u>	<u>\$1,465,439</u>
PRO FORMA ADJUSTED	<u>\$38,568,088</u>	<u>\$0</u>	<u>\$15,418,568</u>	<u>\$5,122,460</u>	<u>\$4,809,659</u>	<u>\$4,098,995</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,449,683</u>	<u>\$9,118,405</u>

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$53,217,920	(\$1,263,416)	\$51,954,504	\$4,143,951	(\$2,538,253)	\$53,560,202	49.42%	9.85%	4.87%	10.85%	5.36%	11.85%	5.86%
LONG TERM DEBT	\$26,920,785		\$26,920,785	\$173,147		\$27,093,932	25.00%	6.75%	1.69%	6.75%	1.69%	6.75%	1.69%
SHORT TERM DEBT	\$5,710,902		\$5,710,902	\$36,731		\$5,747,633	5.30%	1.32%	0.07%	1.32%	0.07%	1.32%	0.07%
STD REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$7,659,464		\$7,659,464			\$7,659,464	7.07%	5.56%	0.39%	5.56%	0.39%	5.56%	0.39%
DEFERRED INCOME TAXES	\$14,272,929		\$14,272,929			\$14,272,929	13.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$37,711		\$37,711			\$37,711	0.04%	6.63%	0.00%	7.12%	0.00%	7.62%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$107,819,711</b>	<b>(\$1,263,416)</b>	<b>\$106,556,294</b>	<b>\$4,353,829</b>	<b>(\$2,538,253)</b>	<b>\$108,371,871</b>	<b>100.00%</b>		<b>7.02%</b>		<b>7.51%</b>		<b>8.01%</b>

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$53,505,922	(\$1,234,044)	\$52,271,878	\$3,496,222	(\$2,469,681)	\$53,298,419	48.53%	9.85%	4.78%	10.85%	5.27%	11.85%	5.75%
LONG TERM DEBT	\$26,684,748		\$26,684,748	(\$103,488)		\$26,581,260	24.20%	6.86%	1.66%	6.86%	1.66%	6.86%	1.66%
SHORT TERM DEBT	\$7,129,028		\$7,129,028	(\$27,648)		\$7,101,380	6.47%	1.06%	0.07%	1.06%	0.07%	1.06%	0.07%
STD REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$7,388,988		\$7,388,988			\$7,388,988	6.73%	5.75%	0.39%	5.75%	0.39%	5.75%	0.39%
DEFERRED INCOME TAXES	\$15,429,803		\$15,429,803			\$15,429,803	14.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$27,907		\$27,907			\$27,907	0.03%	6.51%	0.00%	7.00%	0.00%	7.48%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$110,166,396</b>	<b>(\$1,234,044)</b>	<b>\$108,932,352</b>	<b>\$3,365,087</b>	<b>(\$2,469,681)</b>	<b>\$109,827,758</b>	<b>100.00%</b>		<b>6.90%</b>		<b>7.39%</b>		<b>7.87%</b>