

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 December 31, 2012

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	\$ 7,834,836	\$102,417	\$7,937,253	\$1,581,504	\$9,518,757
AVERAGE RATE BASE	\$109,818,518	\$575,757	\$110,394,274	(\$32,471,176)	\$77,923,098
AVERAGE RATE OF RETURN	7.13%		7.19%		12.22%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$7,834,836	\$101,330	\$7,936,166	\$1,581,504	\$9,517,670
YEAR-END RATE BASE	\$117,590,781	(\$656,212)	\$116,934,570	(\$31,618,712)	\$85,315,858
YEAR-END RATE OF RETURN	6.66%		6.79%		11.16%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	7.20%				
MIDPOINT	7.68%				
HIGH	8.16%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
A.	INCL COMP RATE ADJ REVENUES				12.29%
B.	EXCL COMP RATE ADJ REVENUES				12.29%

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 M. Martin
 Signature

4/1/13
 Date

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 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	\$165,425,705	(\$51,156,417)	\$114,269,288	\$0	\$2,493,936	\$116,763,224	(\$6,944,706)	\$109,818,518
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	(\$1,296,888)	(\$1,296,888)
ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
ELIM. NON-UTILITY PLANT	(\$1,985,420)	\$716,733	(\$1,268,687)			(\$1,268,687)		(\$1,268,687)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,611,014	\$5,611,014
TOTAL FPSC ADJUSTMENTS	(\$4,455,102)	\$716,733	(\$3,738,369)	\$0	\$0	(\$3,738,369)	\$4,314,126	\$575,757
FPSC ADJUSTED	\$160,970,603	(\$50,439,684)	\$110,530,919	\$0	\$2,493,936	\$113,024,855	(\$2,630,580)	\$110,394,274
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$160,970,603	(\$50,439,684)	\$110,530,919	\$0	\$2,493,936	\$113,024,855	(\$2,630,580)	\$110,394,274
PROFORMA ADJUSTMENTS								
			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$31,933,283)	\$779,916	(\$31,153,367)			(\$31,153,367)		(\$31,153,367)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$1,317,809)	(\$1,317,809)
TOTAL PRO FORMA ADJUSTMENTS	(\$31,933,283)	\$779,916	(\$31,153,367)	\$0	\$0	(\$31,153,367)	(\$1,317,809)	(\$32,471,176)
PRO FORMA ADJUSTED	\$129,037,320	(\$49,659,768)	\$79,377,552	\$0	\$2,493,936	\$81,871,488	(\$3,948,389)	\$77,923,098

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 AVERAGE RATE OF RETURN
 For the 12 Months Ending December 31, 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	\$61,451,093	\$ 21,716,011	\$15,589,550	\$7,367,184	\$4,948,516	\$3,994,996				\$53,616,257	\$7,834,836
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH SYNCHRONIZATION						\$14,980				\$14,980	(\$14,980)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (18,252,173)	\$ (18,166,684)			(\$84,379)	(\$428)				(\$18,251,491)	(\$682)
3) ELIMINATE CONSERVATION	(\$3,567,555)	(\$3,549,327)			(\$17,810)	(\$161)				(\$3,567,299)	(\$256)
4)NON-UTILITY DEPRECIATION EXPENSE				(\$131,530)		\$50,738				(\$80,792)	\$80,792
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$246,724)			(\$244,528)		(\$847)				(\$245,375)	(\$1,349)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
NATURAL GAS ALLOCATION ADJUSTMENT			(\$63,316)			\$24,424				(\$38,892)	\$38,892
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$22,066,452)	(\$21,716,011)	(\$63,316)	(\$376,058)	(\$102,190)	\$88,705	\$0	\$0	\$0	(\$22,168,869)	\$102,417
FPSC ADJUSTED	\$39,384,641	\$0	\$15,526,234	\$6,991,126	\$4,846,326	\$4,083,701	\$0	\$0	\$0	\$31,447,388	\$7,937,253
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$39,384,641	\$0	\$15,526,234	\$6,991,126	\$4,846,326	\$4,083,701	\$0	\$0	\$0	\$31,447,388	7,937,253
ELIMINATE ACQUISITION AMORTIZATION				(\$1,789,692)		\$649,944				(\$1,139,748)	\$1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(\$564,768)		\$123,012				(\$441,756)	\$441,756
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	(\$2,354,460)	\$0	\$772,956	\$0	\$0	\$0	(\$1,581,504)	\$1,581,504
PRO FORMA ADJUSTED	\$39,384,641	\$0	\$15,526,234	\$4,636,666	\$4,846,326	\$4,856,657	\$0	\$0	\$0	\$29,865,884	\$9,518,757

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending December 31, 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	<u>\$172,243,027</u>	<u>(\$53,478,380)</u>	<u>\$118,764,646</u>	<u>\$0</u>	<u>\$1,625,096</u>	<u>\$120,389,742</u>	<u>(\$2,798,961)</u>	<u>\$117,590,781</u>
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	(\$1,514,859)	(\$1,514,859)
ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0	(\$1,035,425)	(\$1,035,425)
ELIM. NON-UTILITY PLANT	(\$1,970,535)	\$723,931	(\$1,246,604)			(\$1,246,604)		(\$1,246,604)
	\$0	\$0	\$0			\$0	\$0	\$0
	\$0	\$0	\$0			\$0	\$0	\$0
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,610,359	\$5,610,359
TOTAL FPSC ADJUSTMENTS	<u>(\$4,440,217)</u>	<u>\$723,931</u>	<u>(\$3,716,286)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$3,716,286)</u>	<u>\$3,060,075</u>	<u>(\$656,212)</u>
FPSC ADJUSTED	<u>\$167,802,810</u>	<u>(\$52,754,450)</u>	<u>\$115,048,360</u>	<u>\$0</u>	<u>\$1,625,096</u>	<u>\$116,673,456</u>	<u>\$261,114</u>	<u>\$116,934,570</u>
COMP RATE ADJ REVENUES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ADJUSTED FOR COMP RATE ADJ REVENUE	<u>\$167,802,810</u>	<u>(\$52,754,450)</u>	<u>\$115,048,360</u>	<u>\$0</u>	<u>\$1,625,096</u>	<u>\$116,673,456</u>	<u>\$261,114</u>	<u>\$116,934,570</u>
PROFORMA ADJUSTMENTS			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$32,372,979)	\$1,789,692	(\$30,583,287)			(\$30,583,287)		(\$30,583,287)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$1,035,425)	(\$1,035,425)
TOTAL PRO FORMA ADJUSTMENTS	<u>(\$32,372,979)</u>	<u>\$1,789,692</u>	<u>(\$30,583,287)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$30,583,287)</u>	<u>(\$1,035,425)</u>	<u>(\$31,618,712)</u>
PRO FORMA ADJUSTED	<u>\$135,429,831</u>	<u>(\$50,964,758)</u>	<u>\$84,465,073</u>	<u>\$0</u>	<u>\$1,625,096</u>	<u>\$86,090,169</u>	<u>(\$774,311)</u>	<u>\$85,315,858</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	\$54,159,889	(\$1,268,687)	\$52,891,202	\$2,659,678	(\$2,469,682)	\$53,081,198	48.08%	9.85%	4.74%	10.85%	5.22%	11.85%
LONG TERM DEBT - CU	\$15,279,800		\$15,279,800	\$750,359		\$16,030,159	14.52%	6.09%	0.88%	6.09%	0.88%	6.09%	0.88%
SHORT TERM DEBT	\$7,211,776		\$7,211,776	\$354,155		\$7,565,931	6.85%	1.37%	0.09%	1.37%	0.09%	1.37%	0.09%
LONG TERM DEBT - FC	\$11,198,479		\$11,198,479	\$549,934		\$11,748,413	10.64%	11.10%	1.18%	11.10%	1.18%	11.10%	1.18%
CUSTOMER DEPOSITS	\$7,400,992		\$7,400,992			\$7,400,992	6.70%	4.62%	0.31%	4.62%	0.31%	4.62%	0.31%
DEFERRED INCOME TAXES	\$14,534,886		\$14,534,886			\$14,534,886	13.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$32,696		\$32,696			\$32,696	0.03%	6.89%	0.00%	7.37%	0.00%	7.85%	0.00%
TOTAL AVERAGE	\$109,818,518	(\$1,268,687)	\$108,549,830	\$4,314,126	(\$2,469,682)	\$110,394,274	100.00%		7.20%		7.68%		8.16%

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	\$54,802,606	(\$1,246,604)	\$53,556,002	\$1,752,576	(\$2,469,682)	\$52,838,896	45.19%	9.85%	4.45%	10.85%	4.90%	11.85%
LONG TERM DEBT - CU	\$15,540,151		\$15,540,151	\$496,971		\$16,037,122	13.72%	6.45%	0.88%	6.45%	0.88%	6.45%	0.88%
SHORT TERM DEBT	\$14,757,251		\$14,757,251	\$471,934		\$15,229,185	13.02%	0.69%	0.09%	0.69%	0.09%	0.69%	0.09%
LONG TERM DEBT - FC	\$10,587,766		\$10,587,766	\$338,595		\$10,926,361	9.34%	11.38%	1.06%	11.38%	1.06%	11.38%	1.06%
CUSTOMER DEPOSITS	\$7,296,191		\$7,296,191			\$7,296,191	6.24%	4.69%	0.29%	4.69%	0.29%	4.69%	0.29%
DEFERRED INCOME TAXES	\$14,583,699		\$14,583,699			\$14,583,699	12.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$23,117		\$23,117			\$23,117	0.02%	6.48%	0.00%	6.93%	0.00%	7.38%	0.00%
TOTAL YEAR-END	\$117,590,781	(\$1,246,604)	\$116,344,177	\$3,060,075	(\$2,469,682)	\$116,934,570	100.00%		6.77%		7.22%		7.67%