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**ANNUAL REPORT OF
NATURAL GAS UTILITIES**

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Florida Public Utilities Company

(EXACT NAME OF RESPONDENT)

1641 Worthington Road Suite 220

West Palm Beach, FL 33409

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2013

14 JUN 12 AM 10:11
DIVISION OF
ACCOUNTING & FINANCE

RECEIVED
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Officer or other person to whom correspondence should be addressed concerning this report:

Name: Cheryl Martin Title: Director of Regulatory Affairs

Address: 1641 Worthington Road, Suite 220 City: West Palm Beach State: FL

Telephone No.: (561) 838-1725

PSC/ECR 020-G (12/03)

Independent Auditors' Report

Board of Directors and Stockholder
Chesapeake Utilities Corporation and Florida Public Utilities Company – Natural Gas Division

We have audited the accompanying financial statements of Florida Public Utilities Company – Natural Gas Division, which comprise the balance sheets - regulatory basis as of December 31, 2013 and 2012, and the related statements of income - regulatory basis for each of the two years in the period ended December 31, 2013 and the statement of retained earnings - regulatory basis for the year ended December 31, 2013, and the related notes to the financial statements, included on pages 6 through 11 of the accompanying Annual Report of Natural Gas Utilities, as filed with the Florida Public Service Commission.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Florida Public Service Commission, which is substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Florida Public Utilities Company – Natural Gas Division as of December 31, 2013 and 2012, and its income and expenses for the years then ended in accordance with the financial reporting provisions of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Regulatory Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by Florida Public Utilities Company – Natural Gas Division on the basis of the financial reporting provisions of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and management of Chesapeake Utilities Corporation and Florida Public Utilities Company – Natural Gas Division and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

ParenteBeard LLC

Philadelphia, Pennsylvania
June 9, 2014

**INSTRUCTIONS FOR FILING THE
ANNUAL REPORT OF NATURAL GAS UTILITIES**

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

DEFINITIONS

- I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. ²) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

| | |
|--|--|
| 01 Exact Legal Name of Respondent Florida Public Utilities Company | 02 Year of Report December 31, 2013 |
| 03 Previous Name and Date of Change (if name changed during year) | |
| 04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1641 Worthington Road Suite 220 West Palm Beach, FL 33409 | |
| 05 Name of Contact Person Cheryl Martin | 06 Title of Contact Person Director of Regulatory Affairs |
| 07 Address of Contact Person (Street, City, State, Zip Code) 1641 Worthington Road, Suite 220, West Palm Beach, FL 33409 | |
| 08 Telephone of Contact Person, Including Area Code (561) 838 1725 | 09 Date of Report (Mo., Day, Yr) |

ATTESTATION

I certify that I am the responsible accounting officer of

Florida Public Utilities Company

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2013 to December 31, 2013, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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 or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

Beth W. Cooper
Signature

6/9/14
Date

Beth W. Cooper
Name

Chief Financial Officer
Title

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CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).
2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

1. As of October 28, 2009, Florida Public Utilities Company ("FPU") is a wholly owned subsidiary of Chesapeake Utilities Corporation ("Chesapeake").
2. Chesapeake's Form 10-K report filed with the Securities and Exchange Commission, is for the fiscal year ending December 31, 2013.

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

DEFINITIONS

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

| Name of Company Controlled (a) | Kind of Business (b) | Percent Voting Stock Owned (c) | Footnote Ref. (d) |
|--|-------------------------|-----------------------------------|----------------------|
| Flo-Gas Corporation | Propane Gas | 100% | |
| <p>Note: Chesapeake, our parent company directly and indirectly controls other subsidiaries. These organizations are listed in Chesapeake's Form 10-K.</p> | | | |

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

| Title (a) | Name of Officer (b) | Salary for Year (c) |
|--------------------------|------------------------|------------------------|
| Director, Chairman & CEO | Michael P. McMasters | \$ 85,840 |
| President | Jeffry M. Householder | \$ 111,226 |
| Chief Operating Officer | Stephen C. Thompson | \$ 15,875 |
| Chief Financial Officer | Beth W. Cooper | \$ 57,510 |
| Vice President | Kevin J. Webber | \$ 101,133 |
| Chief Strategy Officer | Elaine B. Bittner | \$ 53,815 |
| Vice President | Matthew M. Kim | \$ 33,282 |
| Treasurer | Thomas E. Mahn | \$ 26,610 |

Note: The salaries above represent only that portion allocated to FPU's natural gas division

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

| Name (and Title) of Director (a) | Principal Business Address (b) | No. of Directors Meetings During Yr. (c) | Fees During Year (d) |
|-------------------------------------|---|---|-------------------------|
| Ralph J. Adkins, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 21 | \$ 1,668 |
| Eugene H. Bayard, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 12 | \$ 3,150 |
| Richard Bernstein, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 14 | \$ 3,616 |
| Thomas J. Bresnan, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 13 | \$ 3,379 |
| Thomas P. Hill, Jr., Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 13 | \$ 3,379 |
| Dennis S. Hudson, III, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 10 | \$ 2,875 |
| Paul L. Maddock, Jr., Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 12 | \$ 3,379 |
| J. Peter Martin, Director (1) | 909 Silver Lake Blvd., Dover Delaware 19904 | 3 | \$ 758 |
| Joseph E. Moore, Esq., Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 17 | \$ 4,200 |
| Caivert A. Morgan, Jr., Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 18 | \$ 4,372 |
| Dianna F. Morgan, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 14 | \$ 3,616 |
| John R. Schimkaitis, Director | 909 Silver Lake Blvd., Dover Delaware 19904 | 8 | \$ 2,218 |
| Michael P. McMasters, Chariman | 909 Silver Lake Blvd., Dover Delaware 19904 | 23 | \$ - |

Note: The fees above represent only that portion allocated to FPU Natural Gas
(1) Peter Martin is no longer serving as a Director effective May 2013

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

VOTING SECURITIES

| Name (Title) and Address of Security Holder (a) | Number of votes as of (date): | | | |
|--|-------------------------------|---------------------|------------------------|--------------|
| | Total Votes (b) | Common Stock (c) | Preferred Stock (d) | Other (e) |
| TOTAL votes of all voting securities | | | | |
| TOTAL number of security holders | | | | |
| TOTAL votes of security holders listed below | | | | |
| Effective October 28, 2009 FPU became a wholly-owned subsidiary of Chesapeake. | | | | |

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.

2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.

4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- 1 None
- 2 On December 2, 2013 FPU purchased the natural gas operating assets of The City of Fort Meade which provides natural gas distribution services to approximately 740 residential and small commercial customers.
- 3 None
- 4 None
- 5 None

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
|----------|--|-------------------|----------------------------------|----------------------------|
| 1 | UTILITY PLANT | | | |
| 2 | Utility Plant (101-106, 114) | 12 | \$ 190,636,637 | \$ 210,075,536 |
| 3 | Construction Work in Progress (107) | 12 | \$ 2,032,070 | \$ 6,273,857 |
| 4 | TOTAL Utility Plant Total of lines 2 and 3) | | \$ 192,668,707 | \$ 216,349,395 |
| 5 | (Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115) | 12 | \$ (54,820,013) | \$ (60,101,471) |
| 6 | Net Utility Plant (Total of line 4 less 5) | | \$ 137,848,694 | \$ 156,247,924 |
| 7 | Utility Plant Adjustments (116) | 11 | | |
| 8 | Gas Stored (117.1, 117.2, 117.3, 117.4) | - | | |
| 9 | OTHER PROPERTY AND INVESTMENTS | | | |
| 10 | Nonutility Property (121) | - | \$ 8,436 | \$ 8,436 |
| 11 | (Less) Accum. Prov. for Depr. and Amort. (122) | - | | |
| 12 | Investments in Associated Companies (123) | - | | |
| 13 | Investment in Subsidiary Companies (123.1) | - | | |
| 14 | Other Investments (124) | - | \$ 154 | \$ 154 |
| 15 | Special Funds (125, 126, 128) | - | | |
| 16 | TOTAL Other Property and Investments (Total of lines 10 through 15) | | \$ 8,590 | \$ 8,590 |
| 17 | CURRENT AND ACCRUED ASSETS | | | |
| 18 | Cash (131) | - | \$ 1,269,305 | \$ 643,010 |
| 19 | Special Deposits (132-134) | - | | |
| 20 | Working Funds (135) | - | \$ 45,675 | \$ 13,952 |
| 21 | Temporary Cash Investments (136) | - | | |
| 22 | Notes Receivable (141) | - | | |
| 23 | Customer Accounts Receivable (142) | - | \$ 6,761,893 | \$ 6,993,475 |
| 24 | Other Accounts Receivable (143) | - | \$ 79,282 | \$ 29,442 |
| 25 | (Less) Accumulated Provision for Uncollectible Accounts-Credit (144) | - | \$ (112,884) | \$ (210,217) |
| 26 | Notes Receivable from Associated Companies (145) | - | | |
| 27 | Accounts Receivable from Associated Companies (146) | - | \$ 109,374,980 | \$ 96,965,238 |
| 28 | Fuel Stock (151) | - | | |
| 29 | Fuel Stock Expense Undistributed (152) | - | | |
| 30 | Residuals (Electric) and Extracted Products (Gas) (153) | - | | |
| 31 | Plant Material and Operating Supplies (154) | - | \$ 258,520 | \$ 335,397 |
| 32 | Merchandise (155) | - | \$ - | \$ - |
| 33 | Other Material and Supplies (156) | - | | |
| 34 | Stores Expenses Undistributed (163) | - | | |
| 35 | Gas Stored Underground & LNG Stored (164.1-164.3) | - | | |
| 36 | Prepayments (165) | 18 | \$ 545,716 | \$ 596,367 |
| 37 | Advances for Gas (166-167) | - | | |
| 38 | Interest and Dividends Receivable (171) | - | | |
| 39 | Rents Receivable (172) | - | | |
| 40 | Accrued Utility Revenues (173) | - | \$ 3,495,813 | \$ 2,473,092 |
| 41 | Miscellaneous Current and Accrued Assets (174) | - | \$ - | \$ - |
| 42 | TOTAL Current and Accrued Assets (Total of lines 18 through 41) | | \$ 121,718,299 | \$ 107,839,756 |
| 43 | DEFERRED DEBITS | | | |
| 44 | Unamortized Debt Expense (181) | - | | |
| 45 | Extraordinary Property Losses (182.1) | 18 | | |
| 46 | Unrecovered Plant and Regulatory Study Costs (182.2) | 18 | | |
| 47 | Other Regulatory Assets (182.3) | 19 | \$ 17,892,134 | \$ 10,829,373 |
| 48 | Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2) | - | \$ - | \$ - |
| 49 | Clearing Accounts (184) | - | \$ - | \$ - |
| 50 | Temporary Facilities (185) | - | | |
| 51 | Miscellaneous Deferred Debits (186) | 19 | \$ 760,649 | \$ 971,297 |
| 52 | Deferred Losses from Disposition of Utility Plant. (187) | - | | |
| 53 | Research, Development and Demonstration Expenditures (188) | - | | |
| 54 | Unamortized Loss on Reacquired Debt (189) | 20 | | |
| 55 | Accumulated Deferred Income Taxes (190) | 24 | \$ 3,435,308 | \$ 4,326,179 |
| 56 | Unrecovered Purchased Gas Costs (191) | - | | |
| 57 | TOTAL Deferred Debits (Total of lines 44 through 56) | | \$ 22,088,091 | \$ 16,126,850 |
| 58 | TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57) | | \$ 281,663,674 | \$ 280,223,120 |

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

| Line No. | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
|----------|---|----------------------|-------------------------------------|-------------------------------|
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock (201, 202, 203, 205, 206, 207) | - | | |
| 3 | Preferred Stock Issued (204) | - | | |
| 4 | Other Paid-In Capital (208-214) | - | | |
| 5 | Retained Earnings (215, 216) | 10 | \$ 87,984,787 | \$ 93,624,781 |
| 6 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 10 | | |
| 7 | (Less) Reacquired Capital Stock (217) | - | | |
| 8 | TOTAL Proprietary Capital (Total of lines 2 through 7) | | \$ 87,984,787 | \$ 93,624,781 |
| 9 | LONG-TERM DEBT | | | |
| 10 | Bonds (221) | 21 | | |
| 11 | (Less) Reacquired Bonds (222) | 21 | | |
| 12 | Advances from Associated Companies (223) | 21 | | |
| 13 | Other Long-Term Debt (224) | 21 | | |
| 14 | Unamortized Premium on Long-Term Debt (225) | 21 | | |
| 15 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | 21 | | |
| 16 | TOTAL Long-Term Debt (Total of lines 10 through 15) | | | |
| 17 | OTHER NONCURRENT LIABILITIES | | | |
| 18 | Obligations Under Capital Leases - Noncurrent (227) | - | | |
| 19 | Accumulated Provision for Property Insurance (228.1) | - | \$ 811,943 | \$ 817,943 |
| 20 | Accumulated Provision for Injuries and Damages (228.2) | - | \$ 190,765 | \$ 59,340 |
| 21 | Accumulated Provision for Pensions and Benefits (228.3) | - | \$ 12,662,219 | \$ 6,787,022 |
| 22 | Accumulated Miscellaneous Operating Provisions (228.4) | - | | |
| 23 | Accumulated Provision for Rate Refunds (229) | - | | |
| 24 | TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23) | | \$ 13,664,927 | \$ 7,664,305 |
| 25 | CURRENT AND ACCRUED LIABILITIES | | | |
| 26 | Notes Payable (231) | - | | |
| 27 | Accounts Payable (232) | - | \$ 4,795,459 | \$ 6,594,147 |
| 28 | Notes Payable to Associated Companies (233) | - | | |
| 29 | Accounts Payable to Associated Companies (234) | - | \$ 113,751,514 | \$ 110,543,684 |
| 30 | Customer Deposits (235) | - | \$ 7,296,191 | \$ 7,266,928 |
| 31 | Taxes Accrued (236) | - | \$ 154,977 | \$ (849,357) |
| 32 | Interest Accrued (237) | - | \$ 366,768 | \$ 182,593 |
| 33 | Dividends Declared (238) | - | | |
| 34 | Matured Long-Term Debt (239) | - | | |
| 35 | Matured Interest (240) | - | | |
| 36 | Tax Collections Payable (241) | - | \$ 908,724 | \$ 963,629 |
| 37 | Miscellaneous Current and Accrued Liabilities (242) | 22 | \$ 1,472,093 | \$ 1,046,129 |
| 38 | Obligations Under Capital Leases-Current (243) | - | | |
| 39 | | | | |
| 40 | TOTAL Current and Accrued Liabilities (Total of lines 26 through 39) | | \$ 128,745,726 | \$ 125,747,753 |
| 41 | DEFERRED CREDITS | | | |
| 42 | Customer Advances for Construction (252) | - | \$ 2,521,747 | \$ 2,144,523 |
| 43 | Other Deferred Credits (253) | 22 | \$ 11,291,236 | \$ 11,608,295 |
| 44 | Other Regulatory Liabilities (254) | 22 | \$ 1,115,991 | \$ 432,861 |
| 45 | Accumulated Deferred Investment Tax Credits (255) | 23 | \$ 23,117 | \$ 9,967 |
| 46 | Deferred Gains from Disposition of Utility Plant (256) | - | | |
| 47 | Unamortized Gain on Reacquired Debt (257) | 20 | | |
| 48 | Accumulated Deferred Income Taxes (281-283) | 24 | \$ 36,316,144 | \$ 38,990,636 |
| 49 | TOTAL Deferred Credits (Total of lines 42 through 48) | | \$ 51,268,235 | \$ 53,186,281 |
| 50 | | | | |
| 51 | TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49) | | \$ 281,663,674 | \$ 280,223,120 |

STATEMENT OF INCOME

- | | |
|--|---|
| <p>1. Use page 11 for important notes regarding the statement of income or any account thereof.</p> <p>2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.</p> <p>3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year</p> | <p>which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.</p> <p>4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.</p> |
|--|---|

| Line No. | Account (a) | Ref. Page No. (b) | Total Gas Utility Current Year (c) | Total Gas Utility Previous Year (d) |
|----------|---|-------------------|------------------------------------|-------------------------------------|
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 26 | \$ 64,936,856 | \$ 61,451,092 |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 27-29 | 40,939,420 | \$ 36,900,682 |
| 5 | Maintenance Expenses (402) | 27-29 | 967,898 | \$ 404,853 |
| 6 | Depreciation Expense (403) | 15-16 | \$ 4,112,881 | \$ 3,843,336 |
| 7 | Amortization & Depletion of Utility Plant (404-405) | - | \$ 846,387 | \$ 1,493,141 |
| 8 | Amortization of Utility Plant Acquisition Adjustment (406) | - | \$ 1,821,708 | \$ 1,821,676 |
| 9 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1) | - | | |
| 10 | Amortization of Conversion Expenses (407.2) | - | | |
| 11 | Regulatory Debits (407.3) | - | \$ 564,768 | \$ 564,768 |
| 12 | (Less) Regulatory Credits (407.4) | - | \$ (683,130) | \$ (355,740) |
| 13 | Taxes Other Than Income Taxes (408.1) | 23 | \$ 5,469,086 | \$ 4,948,522 |
| 14 | Income Taxes - Federal (409.1) | - | \$ 1,602,731 | \$ 2,105,118 |
| 15 | - Other (409.1) | - | \$ 486,078 | \$ 654,601 |
| 16 | Provision for Deferred Income Taxes (410.1) | 24 | \$ 3,871,453 | \$ 2,924,596 |
| 17 | (Less) Provision for Deferred Income Taxes - Cr.(411.1) | 24 | \$ (2,238,288) | \$ (1,670,155) |
| 18 | Investment Tax Credit Adjustment - Net (411.4) | 23 | \$ (13,151) | \$ (19,158) |
| 19 | (Less) Gains from Disposition of Utility Plant (411.6) | - | | |
| 20 | Losses from Disposition of Utility Plant (411.7) | - | | |
| 21 | Other Operating Income (412-414) | - | | |
| 22 | TOTAL Utility Operating Expenses (Total of lines 4 -21) | | \$ 57,747,841 | \$ 53,616,239 |
| 23 | Net Utility Operating Income (Total of line 2 less 22) | | | |
| 24 | (Carry forward to page 9, line 25) | | \$ 7,189,015 | \$ 7,834,853 |

STATEMENT OF INCOME (Continued)

| Line No. | Account (a) | Ref. Page No. (b) | TOTAL | |
|----------|---|-------------------|------------------|-------------------|
| | | | Current Year (c) | Previous Year (d) |
| 25 | Net Utility Operating Income (Carried forward from page 8) | | \$ 7,189,015 | \$ 7,834,853 |
| 26 | Other Income and Deductions | | | |
| 27 | Other Income | | | |
| 28 | Nonutility Operating Income | | | |
| 29 | Revenues From Merchandising, Jobbing and Contract Work (415) | - | | |
| 30 | (Less) Costs and Exp. of Merchandising, Job & Contract Work (416) | - | | |
| 31 | Revenues From Nonutility Operations (417) | - | | |
| 32 | (Less) Expenses of Nonutility Operations (417.1) | - | | |
| 33 | Nonoperating Rental Income (418) | - | | |
| 34 | Equity in Earnings of Subsidiary Companies (418.1) | 10 | | |
| 35 | Interest and Dividend Income (419) | - | \$ 8,747 | \$ 18,267 |
| 36 | Allowance for Other Funds Used During Construction (419.1) | - | | |
| 37 | Miscellaneous Nonoperating Income (421) | - | \$ 3,396 | \$ 3,765 |
| 38 | Gain on Disposition of Property (421.1) | - | \$ - | \$ - |
| 39 | TOTAL Other Income (Total of lines 29 through 38) | | \$ 12,143 | \$ 22,032 |
| 40 | Other Income Deductions | | | |
| 41 | Loss on Disposition of Property (421.2) | - | | |
| 42 | Miscellaneous Amortization (425) | 33 | | |
| 43 | Miscellaneous Income Deductions (426.1-426.5) | 33 | \$ (25,885) | \$ 6,851 |
| 44 | TOTAL Other Income Deductions (Total of lines 41 through 43) | | \$ (25,885) | \$ 6,851 |
| 45 | Taxes Applicable to Other Income and Deductions | | | |
| 46 | Taxes Other Than Income Taxes (408.2) | - | | |
| 47 | Income Taxes - Federal (409.2) | - | \$ 133,508 | \$ 58,182 |
| 48 | Income Taxes - Other (409.2) | - | \$ 22,201 | \$ 9,675 |
| 49 | Provision for Deferred Income Taxes (410.2) | 24 | \$ (152,250) | \$ (104,514) |
| 50 | (Less) Provision for Deferred Income Taxes - Credit (411.2) | 24 | \$ 1,794 | \$ 17,938 |
| 51 | Investment Tax Credit Adjustment - Net (411.5) | - | | |
| 52 | (Less) Investment Tax Credits (420) | - | | |
| 53 | TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52) | | \$ 5,253 | \$ (18,719) |
| 54 | Net Other Income and Deductions (Total of lines 39,44,53) | | \$ (8,489) | \$ 10,165 |
| 55 | Interest Charges | | | |
| 56 | Interest on Long-Term Debt (427) | - | \$ 1,074,144 | \$ 1,324,326 |
| 57 | Amortization of Debt Discount and Expense (428) | 21 | \$ 4,814 | \$ 7,303 |
| 58 | Amortization of Loss on Reacquired Debt (428.1) | - | \$ 67,093 | \$ 57,951 |
| 59 | (Less) Amortization of Premium on Debt - Credit (429) | 21 | | |
| 60 | (Less) Amortization of Gain on Reacquired Debt - Credit (429.1) | - | | |
| 61 | Interest on Debt to Associated Companies (430) | 33 | \$ - | \$ (2,693) |
| 62 | Other Interest Expense (431) | 33 | \$ 394,481 | \$ 450,231 |
| 63 | (Less) Allowance for Borrowed Funds Used During Const.-Credit (432) | - | | |
| 64 | Net Interest Charges (Total of lines 56 through 63) | | \$ 1,540,532 | \$ 1,837,118 |
| 65 | Income Before Extraordinary Items (Total of lines 25, 54 and 64) | | \$ 5,639,994 | \$ 6,007,900 |
| 66 | Extraordinary Items | | | |
| 67 | Extraordinary Income (434) | - | | |
| 68 | (Less) Extraordinary Deductions (435) | - | | |
| 69 | Net Extraordinary Items (Total of line 67 less line 68) | | | |
| 70 | Income Taxes - Federal and Other (409.3) | - | | |
| 71 | Extraordinary Items After Taxes (Total of line 69 less line 70) | | | |
| 72 | Net Income (Total of lines 65 and 71) | | \$ 5,639,994 | \$ 6,007,900 |

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
 2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
 3. State the purpose and amount for each reservation or appropriation of retained earnings.
 4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.

5. Show dividends for each class and series of capital stock.
 6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
 7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
 8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

| Line No. | Item (a) | Contra Primary Account Affected (b) | Amount (c) |
|---|--|-------------------------------------|---------------|
| UNAPPROPRIATED RETAINED EARNINGS (Account 216) | | | |
| 1 | Balance - Beginning of Year | | \$ 87,984,787 |
| 2 | Changes (Identify by prescribed retained earnings accounts) | | |
| 3 | Adjustments to Retained Earnings (Account 439): | | |
| 4 | Credit: | | |
| 5 | Credit: | | |
| 6 | TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5) | | |
| 7 | Debit: | | |
| 8 | Debit: | | |
| 9 | TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8) | | |
| 10 | Balance Transferred from Income (Account 433 less Account 418.1) | | \$ 5,639,994 |
| 11 | Appropriations of Retained Earnings (Account 436) TOTAL | | |
| 12 | Dividends Declared - Preferred Stock (Account 437) TOTAL | | |
| 13 | Dividends Declared - Common Stock (Account 438) TOTAL | | |
| 14 | Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings | | |
| 15 | FAS 133 Other Comprehensive Income | | |
| 16 | Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15) | | \$ 93,624,781 |
| APPROPRIATED RETAINED EARNINGS (Account 215) | | | |
| | State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year. | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | TOTAL Appropriated Retained Earnings (Account 215) | | |
| | TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23) | | \$ 93,624,781 |

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

| | | | |
|----------------------------------|--|--|--------------------|
| Florida Public Utilities Company | | | For the Year Ended |
| Natural Gas Division | | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | | |

1. Organization and Basis of Presentation

Florida Public Utilities Company ("FPU") is a utility engaged in the natural gas and electric distribution business in Florida. The natural gas division of FPU, excluding the Indiantown and Fort Meade divisions, ("we," "our" or "us") is engaged in the distribution of natural gas to approximately 54,000 residential, commercial and industrial customers located in Palm Beach, Broward, Martin, Marion, Seminole, Volusia, Nassau and Okeechobee counties in Florida. Our rates and services are subject to regulation by the Florida Public Service Commission ("FPSC"). FPU is a wholly-owned subsidiary of Chesapeake Utilities Corporation ("Chesapeake").

Our financial statements include the accounts of FPU's natural gas operation, excluding the accounts of the Indiantown and Fort Meade divisions. The FPSC requires FPU's Indiantown and Fort Meade natural gas divisions to be reported separately from us and therefore, those accounts are excluded from our financial statements. FPU's electric distribution and unregulated businesses are also excluded from our financial statements.

Our financial statements are prepared in conformity with the accounting requirements of the FPSC, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission ("FERC") as set forth in the applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("US GAAP"). The accounting requirements of the FERC and the FPSC applied by us in these financial statements are consistent with US GAAP, except for:

- lack of reclassification of certain negative balances on the balance sheets;
- the presentation of deferred income tax assets and liabilities separately rather than as a single amount;
- the presentation of cost of removal as a component of accumulated depreciation rather than as a regulatory liability;
- lack of detail property, plant and equipment component costs disclosure;
- lack of detail regulatory assets and liability disclosure;
- the omission of the statements of cash flows;
- the omission of the statement of retained earnings for prior year for a comparative presentation;
- the accounting treatment of acquisition adjustment and regulatory asset associated with the merger-related costs and the presentation of acquisition adjustment (US GAAP does not reflect the accounting impact of the approval of acquisition adjustment and the regulatory asset retroactively in 2011 and 2010); and
- the presentation of pass-through revenue taxes, such as gross receipts taxes, franchise taxes and sales taxes, as revenues and operating expenses rather than on a net basis.

We do not have any ownership interest in investments accounted for using the equity method or any variable interests in a variable interest entity. We have assessed and reported on subsequent events through June 9, 2014, the date these financial statements are available to be issued.

2. Summary of Significant Accounting Policies

Use of Estimates

Our financial statements are prepared based on the accounting requirements of the FPSC and the FERC, which require management to make estimates in measuring assets and liabilities and related revenues and expenses. These estimates involve judgments with respect to, among other things, various future economic factors that are difficult to predict and are beyond our control; therefore, actual results could differ from those estimates.

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| Florida Public Utilities Company | | For the Year Ended |
| Natural Gas Division | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | |

Utility Plant

Utility plant is stated at original cost less accumulated depreciation. Costs include direct labor, materials and third-party construction contractor costs, allowance for funds used during construction ("AFUDC") and certain indirect costs related to equipment and employees engaged in construction. The costs of repairs and minor replacements are charged against income as incurred, and the costs of major renewals and betterments are capitalized. Upon retirement or disposition of utility plant, the gain or loss, net of salvage value, is charged to accumulated depreciation or deferred as regulatory assets or liability as required by the FPSC.

Customer contributions or advances in aid of construction reduce utility plant unless the amounts are refundable to customers. Contributions or advances may be refundable to customers after a number of years based on the amount of revenues generated from the customers or the duration of the service provided to the customers. Refundable contributions or advances are recorded initially as liabilities. The amounts that are determined to be non-refundable reduce utility plant at the time of such determination. During the years ended December 31, 2013 and 2012, there were \$562,000 and \$647,500, respectively, of non-refunded contributions or advances reducing utility plant.

AFUDC represents the estimated cost of funds, from both debt and equity sources, used to finance the construction of major projects. AFUDC is capitalized in rate base for rate making purposes when the completed projects are placed in service. We did not capitalize AFUDC on utility plant for the years ended December 31, 2013 and 2012.

Depreciation

We compute depreciation expense by applying composite, annual rates as approved by FPSC. Depreciation and amortization expenses are provided at an annual rate averaging 3.1 percent and 3.2 percent for 2013 and 2012, respectively.

In accordance with the accounting requirements of the FERC, we include the accretion of the cost of removal for future retirements of utility assets as depreciation expense. For the years ended December 31, 2013 and 2012, \$501,293 and \$478,005, respectively, of such accretion was included in depreciation expense. We also report certain depreciation expense, mainly related to vehicle, computer software and hardware, in operations expense rather than depreciation expense to comply with the accounting requirements of the FERC. For the years ended December 31, 2013 and 2012, \$359,333 and \$310,183, respectively, of such depreciation was reported as operations expense.

Regulatory Operations

We account for our operations in accordance with Accounting Standards Codification ("ASC") Topic 980, *Regulated Operations*. This Topic includes accounting principles for companies whose rates are determined by independent third-party regulators. When setting rates, regulators often make decisions, the economics of which require companies to defer costs or revenues in different periods than may be appropriate for unregulated enterprises. When this situation occurs, a regulated company defers the associated costs as regulatory assets on the balance sheet and records them as expense on the statement of income as it collects revenues. Further, regulators can also impose liabilities upon a regulated company for amounts previously collected from customers, and for recovery of costs that are expected to be incurred in the future as regulatory liabilities. If we were required to terminate the application of these regulatory provisions to our operations, all such deferred amounts would be recognized in the statement of income at that time, which could have a material impact on our financial position, results of operations and cash flows.

We monitor our regulatory and competitive environment to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these assets is no longer probable, we would write off the assets against earnings. We believe that provisions of ASC Topic 980, *Regulated Operations*, continue to apply to our operations and that the recovery of our regulatory assets is probable.

Operating Revenues

Our operating revenues are based on rates approved by the FPSC. We read meters and bill customers on monthly cycles that do not coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for the charges associated with natural gas delivered, but not yet billed, at the end of an accounting period to the extent that they do not coincide.

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| Florida Public Utilities Company | | For the Year Ended |
| Natural Gas Division | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | |

We have a fuel cost recovery mechanism. This mechanism provides a method of adjusting the billing rates to reflect changes in the cost of purchased fuel. The difference between the current cost of fuel and the cost of fuel recovered in billed rates is deferred and accounted for as either unrecovered purchased fuel costs or amounts payable to customers. Generally, these deferred amounts are recovered or refunded within one year.

Operations and Maintenance Expenses

Operations and maintenance expenses are costs associated with the operation and maintenance of our natural gas distribution systems. Major cost components include operation and maintenance salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, customer service, professional fees and other outside services, insurance expense, minor amounts of depreciation and other administrative expenses.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Excess cash generated by our receipts may be transferred to and invested in Chesapeake's overnight income-producing accounts. We are allocated the portion of interest income generated from those accounts, which reduced interest expense in the accompanying statements of income.

Accounts Receivable and Accumulated Provision for Uncollectible Accounts

Accounts receivable consist primarily of amounts due for distribution sales of natural gas to customers. A provision for uncollectible account is recorded based upon our collections experiences and management's assessment of our customers' inability or reluctance to pay. If circumstances change, our estimates of recoverable accounts receivable may also change. Circumstances which could affect such estimates include, but are not limited to, customer credit issues and general economic conditions. Accounts are written off when they are deemed to be uncollectible.

Inventories

We use the average cost method to value materials and supplies inventory. If market prices drop below cost, inventory balances that are subject to price risk are adjusted to market values.

Pension and Other Postretirement Plans

Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the fair value of plan assets, estimates of the expected returns on plan assets, assumed discount rates, the level of contributions made to the plans, and current demographic and actuarial mortality data. Management annually reviews the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities with the assistance of third-party actuarial firms. The assumed discount rates and the expected returns on plan assets are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rates, health care cost trend rates and rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

Income Taxes and Investment Tax Credit Adjustments

Deferred tax assets and liabilities are recorded for the tax effect of temporary differences between the financial statements bases and tax bases of assets and liabilities and are measured using the enacted tax rates in effect in the years in which the differences are expected to reverse. The portions of our deferred tax liabilities, which have not been reflected in current service rates, represent income taxes recoverable through future rates. Deferred tax assets are recorded net of any valuation allowance when it is more likely than not that such tax benefits will be realized. Investment tax credits on utility property have been deferred and are allocated to income ratably over the lives of the subject property.

We account for uncertainty in income taxes in the financial statements only if it is more likely than not that an uncertain tax position is sustainable based on technical merits. Recognizable tax positions are then measured to determine the amount of benefit recognized in the financial statements. We recognize penalties and interest related to unrecognized tax benefits as a component of other income.

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|----------------------------------|--|--|--------------------|
| Florida Public Utilities Company | | | For the Year Ended |
| Natural Gas Division | | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | | |

Financial Instruments

We have entered into agreements with suppliers to purchase natural gas for resale to our customers. Purchases under these contracts either do not meet the definition of derivatives or are considered "normal purchases" and are accounted for on an accrual basis.

Financial assets and liabilities with carrying values approximating fair value include accounts receivable, accounts payable and other accrued liabilities.

3. Transactions with affiliates

Financing Arrangements

Our excess cash is transferred to Chesapeake to be invested in overnight income-producing accounts. We utilize Chesapeake's short-term borrowing facility and Chesapeake's and FPU's long-term debt to satisfy our financing needs. For the years ended December 31, 2013 and 2012, Chesapeake and FPU allocated to us \$1,363,310 and \$1,495,290 respectively, in interest expense, which represents a portion of interest from Chesapeake's short-term and Chesapeake's and FPU's long-term debt allocated to us, net of a portion of interest income from the overnight income-producing accounts allocated to us.

Allocated Costs from Affiliates

Chesapeake provides us with administrative and support services. These services include certain managerial, accounting, information technology, payroll, human resources and treasury services. For the years ended December 31, 2013 and 2012, Chesapeake charged us \$5,428,200 and \$4,453,303, respectively, for these services.

We provided certain managerial, operations and customer service functions to the Florida Division of Chesapeake ("CFG"). For the year ended December 31, 2012, we charged CFG \$1,997,376 for these services. There were no charges to CFG during 2013.

Advances from Affiliates

As of December 31, 2013 and 2012, we had advances from Chesapeake and its subsidiaries in the amount of \$13,578,446 and \$4,376,534, respectively. These amounts are reflected as accounts receivable from associated companies and accounts payable to associated companies in the accompanying financial statements.

Firm Transportation Service and Natural Gas Purchase

In April 2012, Peninsula Pipeline Company, Inc. a wholly-owned subsidiary of Chesapeake, commenced firm transportation service in conjunction with our expansion to Nassau and Okeechobee counties, Florida. For the years ended December 31, 2013 and 2012, we incurred \$2,187,913 and \$1,582,497, respectively, in cost associated with this transportation service, which was included in the cost of fuel and our fuel cost recovery mechanism.

During 2013 and 2012, Peninsula Energy Services Company, Inc., Chesapeake's natural gas marketing subsidiary, provided natural gas supply service for \$4,916,554 and \$3,029,335, respectively, which was included in the cost of fuel and our fuel cost recovery mechanism.

4. Income Taxes

Prior to the merger with Chesapeake, FPU filed a separate federal income tax return. After the merger, we are included in the Chesapeake consolidated federal income tax return, along with all of Chesapeake's other subsidiaries. FPU files a separate state income tax return in the state of Florida. Income taxes in the accompanying consolidated statements of income have been allocated to us as if we were a separate taxpayer.

The Internal Revenue Service ("IRS") performed its examination of Chesapeake's consolidated federal income tax return for 2009 and FPU's consolidated federal income tax return for 2008 and the period from January 1, 2009 to October 28, 2009 (the pre-merger period in 2009, during which FPU was required to file a separate federal income tax return). Both of the IRS examinations were completed in 2012 without any material findings.

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| Florida Public Utilities Company | | For the Year Ended |
| Natural Gas Division | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | |

The following table provides: (a) the components of income tax expense in 2013 and 2012; (b) the reconciliation between the statutory federal income tax rate for 2013 and 2012; and (c) the components of accumulated deferred income tax assets and liabilities at December 31, 2013 and 2012.

| | For the Years Ended December 31, | |
|--|----------------------------------|---------------------|
| | 2013 | 2012 |
| Income Tax Expense | | |
| Current | \$1,933,100 | \$2,691,862 |
| Deferred | 1,783,621 | 1,341,017 |
| Investment tax credits, net | (13,151) | (19,158) |
| Total Income Tax Expense | \$3,703,570 | \$4,013,721 |
| Reconciliation of Effective Income Tax Rates: | | |
| Federal income tax expense, 35% in 2013 and 2012 | \$3,270,247 | \$3,507,567 |
| State income taxes, net of federal tax benefit | 334,032 | 358,273 |
| Other | 99,291 | 147,881 |
| Total Income Tax Expense | \$3,703,570 | \$4,013,721 |
| | At December 31, | |
| | 2013 | 2012 |
| Deferred Income Tax Liabilities | | |
| Property, plant and equipment | \$22,002,844 | \$18,534,380 |
| Acquisition adjustment | 16,790,199 | 17,440,143 |
| Merger-related costs | 102,514 | 225,526 |
| Other | 95,079 | 116,095 |
| Total Deferred Income Tax Liabilities | \$38,990,636 | \$36,316,144 |
| Deferred Income Tax Assets | | |
| Environmental costs | \$2,099,572 | \$2,030,459 |
| Employee benefits | 553,630 | - |
| Storm reserve liability | 315,522 | 313,207 |
| Other | 1,357,455 | 1,091,642 |
| Total Deferred Income Tax Assets | \$4,326,179 | \$3,435,308 |

5. Customer Concentration

We operate entirely in the natural gas distribution business. Our operations include the transportation of natural gas in intra-state commerce. We did not have any customer that accounted for more than 10 percent of our revenues for the years ended December 31, 2013 and 2012.

6. Lease Obligations

We have entered into several operating lease arrangements for equipment and right of way for pipeline facilities. FPU has also entered into lease operating lease arrangements for office and warehouse space and has allocated to us rent for our use of these spaces. Rent expense for the years ended December 31, 2013 and 2012 totaled \$207,606 and \$192,568 respectively, with no future minimum payments for these leases.

| | | | |
|----------------------------------|--|--|--------------------|
| Florida Public Utilities Company | | | For the Year Ended |
| Natural Gas Division | | | December 31, 2013 |
| NOTES TO FINANCIAL STATEMENTS | | | |

7. Employee Benefit Plans

Eligible FPU employees participate in various benefit plans sponsored by FPU. FPU allocates to us a portion of the benefit costs associated with these plans. Our share of the costs is based on a portion of the benefits related to providing services to us. For the years ended December 31, 2013 and 2012, we recorded the benefit costs of \$919,130 and \$984,157, respectively, related to these plans.

FPU continues to sponsor and maintain a separate defined benefit pension plan ("FPU Pension Plan") and a separate unfunded postretirement medical plan ("FPU Medical Plan") for eligible FPU employees after the merger with Chesapeake.

FPU measures the assets and obligations of the defined benefit pension plan and other postretirement benefit plans to determine the plans' funded status as of the end of the year as an asset or a liability on its consolidated balance sheets. A portion of this asset or liability related to us is reflected on our balance sheet. At December 31, 2013 and 2012, \$6,787,022 and \$12,662,219, respectively, of the pension and postretirement benefit liabilities were assigned to us.

Defined Benefit Pension Plan

The following schedule sets forth the funded status at December 31, 2013 and 2012:

| | At December 31, | |
|--|--------------------|--------------------|
| | 2013 | 2012 |
| <i>(in thousands)</i> | | |
| Change in benefit obligation: | | |
| Benefit obligation — beginning of year | \$ 64,512 | \$ 57,999 |
| Interest cost | 2,367 | 2,577 |
| Actuarial loss (gain) | (8,007) | 6,915 |
| Benefits paid | (2,996) | (2,979) |
| Benefit obligation — end of year | 55,876 | 64,512 |
| Change in plan assets: | | |
| Fair value of plan assets — beginning of year | 41,954 | 37,836 |
| Actual return on plan assets | 4,747 | 4,526 |
| Employer contributions | 632 | 2,571 |
| Benefits paid | (2,996) | (2,979) |
| Fair value of plan assets — end of year | 44,337 | 41,954 |
| Reconciliation: | | |
| Funded status | (11,539) | (22,558) |
| Accrued pension cost | \$ (11,539) | \$ (22,558) |
| Assumptions: | | |
| Discount rate | 4.75% | 3.75% |
| Expected return on plan assets | 7.00% | 7.00% |

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Net periodic pension cost (benefit) for the FPU Pension Plan for 2013 and 2012 includes the components shown below:

| | For the Year Ended December 31, | |
|---|---------------------------------|---------------|
| | 2013 | 2012 |
| <i>(in thousands)</i> | | |
| Components of net periodic pension cost: | | |
| Interest cost | \$ 2,367 | \$ 2,577 |
| Expected return on assets | (2,866) | (2,627) |
| Amortization of actuarial loss | 330 | 196 |
| Net periodic pension cost | (169) | 146 |
| Amortization of pre-merger regulatory asset | 761 | 761 |
| Total periodic cost | \$ 592 | \$ 907 |
| Assumptions: | | |
| Discount rate | 3.75% | 4.50% |
| Expected return on plan assets | 7.00% | 7.00% |

Included in the net periodic costs for the FPU Pension Plan is continued amortization of the FPU pension regulatory asset, which represents the portion attributable to FPU's regulated operations of the changes in funded status that occurred but were not recognized as part of net periodic cost prior to the merger with Chesapeake in October 2009. This was previously deferred as a regulatory asset by FPU prior to the merger to be recovered through rates pursuant to an order by the FPSC. The unamortized balance of this regulatory asset was \$4.3 million and \$5.1 million at December 31, 2013 and 2012, respectively.

The following schedule summarizes the assets of the FPU Pension Plan, by investment type, at December 31, 2013 and 2012:

| Asset Category | At December 31, | |
|-------------------|-----------------|----------------|
| | 2013 | 2012 |
| Equity securities | 55.02% | 52.81% |
| Debt securities | 36.54% | 38.04% |
| Other | 8.44% | 9.15% |
| Total | 100.00% | 100.00% |

The investment policy for the FPU Pension Plan is designed to provide the capital assets necessary to meet the financial obligations of the plan. The investment goals and objectives are to achieve investment returns that, together with contributions, will provide funds adequate to pay promised benefits to present and future beneficiaries of the plan, earn a long-term investment return in excess of the growth of the Plan's retirement liabilities, minimize pension expense and cumulative contributions resulting from liability measurement and asset performance, and maintain a diversified portfolio to reduce the risk of large losses.

The following allocation range of asset classes is intended to produce a rate of return sufficient to meet the plan's goals and objectives:

| Asset Allocation Strategy | | |
|---|-------------------------------|-------------------------------|
| Asset Class | Minimum Allocation Percentage | Maximum Allocation Percentage |
| Domestic Equities (Large Cap, Mid Cap and Small Cap) | 14% | 32% |
| Foreign Equities (Developed and Emerging Markets) | 13% | 25% |
| Fixed Income (Inflation Bond and Taxable Fixed) | 26% | 40% |
| Alternative Strategies (Long/Short Equity and Hedge Fund of Funds) | 6% | 14% |
| Diversifying Assets (High Yield Fixed Income, Commodities, and Real Estate) | 7% | 19% |
| Cash | 0% | 5% |

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Due to periodic contributions and different asset classes producing different returns, the actual asset values may temporarily move outside of the intended ranges. The investments are monitored on a quarterly basis, at a minimum, for asset allocation and performance.

At December 31, 2013, the assets of the FPU Pension Plan were comprised of the following investments:

| Asset Category (in thousands) | Fair Value Measurement Hierarchy | | | Total |
|---------------------------------------|----------------------------------|-----------------|--------------|-----------------|
| | Level 1 | Level 2 | Level 3 | |
| Equity securities | | | | |
| U.S. Large Cap ⁽¹⁾ | \$3,318 | \$3,443 | \$ - | \$6,761 |
| U.S. Mid Cap ⁽¹⁾ | - | 2,849 | - | 2,849 |
| U.S. Small Cap ⁽¹⁾ | - | 1,464 | - | 1,464 |
| International ⁽²⁾ | 8,944 | - | - | 8,944 |
| Alternative Strategies ⁽³⁾ | 4,379 | - | - | 4,379 |
| | <u>16,641</u> | <u>7,756</u> | <u>-</u> | <u>24,397</u> |
| Debt securities | | | | |
| Inflation Protected ⁽⁴⁾ | 2,050 | - | - | 2,050 |
| Fixed income ⁽⁵⁾ | - | 11,953 | - | 11,953 |
| High Yield ⁽⁵⁾ | - | 2,198 | - | 2,198 |
| | <u>2,050</u> | <u>14,151</u> | <u>-</u> | <u>16,201</u> |
| Other | | | | |
| Commodities ⁽⁶⁾ | 1,624 | - | - | 1,624 |
| Real Estate ⁽⁷⁾ | 1,653 | - | - | 1,653 |
| Guaranteed deposit ⁽⁸⁾ | - | - | 462 | 462 |
| | <u>3,277</u> | <u>-</u> | <u>462</u> | <u>3,739</u> |
| Total Pension Plan Assets | \$21,968 | \$21,907 | \$462 | \$44,337 |

⁽¹⁾ Includes funds that invest primarily in United States common stocks.

⁽²⁾ Includes funds that invest primarily in foreign equities and emerging markets equities.

⁽³⁾ Includes funds that actively invest in both equity and debt securities, funds that sell short securities and funds that provide long-term capital appreciation. The funds may invest in debt securities below investment grade.

⁽⁴⁾ Includes funds that invest primarily in inflation-indexed bonds issued by the U.S. government.

⁽⁵⁾ Includes funds that invest in investment grade and fixed income securities.

⁽⁶⁾ Includes funds that invest primarily in commodity-linked derivative instruments and fixed income securities.

⁽⁷⁾ Includes funds that invest primarily in real estate.

⁽⁸⁾ Includes investment in a group annuity product issued by an insurance company.

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At December, 31, 2012, the assets of the FPU Pensions Plan were comprised of the following investments:

| Asset Category (in thousands) | Fair Value Measurement Hierarchy | | | Total |
|---------------------------------------|----------------------------------|-----------------|--------------|-----------------|
| | Level 1 | Level 2 | Level 3 | |
| Equity securities | | | | |
| U.S. Large Cap ⁽¹⁾ | \$2,910 | \$2,866 | \$ - | \$5,776 |
| U.S. Mid Cap ⁽¹⁾ | - | 2,572 | - | 2,572 |
| U.S. Small Cap ⁽¹⁾ | - | 1,268 | - | 1,268 |
| International ⁽²⁾ | 8,405 | - | - | 8,405 |
| Alternative Strategies ⁽³⁾ | 4,136 | - | - | 4,136 |
| | 15,451 | 6,706 | - | 22,157 |
| Debt securities | | | | |
| Inflation Protected ⁽⁴⁾ | 2,084 | - | - | 2,084 |
| Fixed income ⁽⁵⁾ | - | 11,757 | - | 11,757 |
| High Yield ⁽⁵⁾ | - | 2,118 | - | 2,118 |
| | 2,084 | 13,875 | - | 15,959 |
| Other | | | | |
| Commodities ⁽⁶⁾ | 1,596 | - | - | 1,596 |
| Real Estate ⁽⁷⁾ | 1,701 | - | - | 1,701 |
| Guaranteed deposit ⁽⁸⁾ | - | - | 541 | 541 |
| | 3,297 | - | 541 | 3,838 |
| Total Pension Plan Assets | \$20,832 | \$20,581 | \$541 | \$41,954 |

⁽¹⁾ Includes funds that invest primarily in United States common stocks.

⁽²⁾ Includes funds that invest primarily in foreign equities and emerging markets equities.

⁽³⁾ Includes funds that actively invest in both equity and debt securities, funds that sell short securities and funds that provide long-term capital appreciation. The funds may invest in debt securities below investment grade.

⁽⁴⁾ Includes funds that invest primarily in inflation-indexed bonds issued by the U.S. government.

⁽⁵⁾ Includes funds that invest in investment grade and fixed income securities.

⁽⁶⁾ Includes funds that invest primarily in commodity-linked derivative instruments and fixed income securities.

⁽⁷⁾ Includes funds that invest primarily in real estate.

⁽⁸⁾ Includes investment in a group annuity product issued by an insurance company.

At December 31, 2013 and 2012, all of the investments classified under Level 1 of the fair value measurement hierarchy were recorded at fair value based on unadjusted quoted prices in active markets for identical investments. The Level 2 investments were recorded at fair value based on net asset value per unit of the investments, which used significant observable inputs although those investments were not traded publicly and did not have quoted market prices in active markets. The Level 3 investments were guaranteed deposit accounts, which were valued based on the liquidation value of those accounts, including the effect of the balance and interest guarantee and liquidation restriction.

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The following table sets forth the summary of the changes in the fair value of Level 3 investments for the FPU Pension Plan for the years ended December 31, 2013 and 2012:

| | At December 31, | |
|-----------------------------------|-----------------|---------------|
| | 2013 | 2012 |
| <i>(in thousands)</i> | | |
| Balance, beginning of year | \$ 541 | \$ 755 |
| Purchases | 432 | 51 |
| Transfers in | 2,425 | 2,700 |
| Disbursements | (2,988) | (2,978) |
| Investment Income | 52 | 13 |
| Balance, end of year | \$ 462 | \$ 541 |

Other Postretirement Benefits Plan

In March 2011, new plan provisions for the FPU Medical Plan were adopted in a continuing effort to standardize FPU's benefits with those offered by Chesapeake. The new plan provisions, which became effective January 1, 2012, require eligible employees retiring in 2012 through 2014 to pay a portion of the total benefit costs based on the year they retire. Participants retiring in 2015 and after will be required to pay the full benefit costs associated with participation in the FPU Medical Plan. The change in the FPU Medical Plan resulted in a curtailment gain of \$892,000. Since FPU determined that the non-recurring gain resulted from the merger with Chesapeake and the related integration, FPU determined that the appropriate accounting treatment for the portion of the gain allocated to regulated operations prescribed deferral as a regulatory liability and amortization over a future period, as specified by the FPSC. We were allocated \$464,000 of this curtailment gain and included it as a regulatory liability.

The following schedule sets forth the status of the FPU Medical Plan at December 31, 2013 and 2012:

| | At December 31, | |
|--|-------------------|-------------------|
| | 2013 | 2012 |
| <i>(in thousands)</i> | | |
| Change in benefit obligation: | | |
| Benefit obligation — beginning of year | \$ 1,774 | \$ 4,081 |
| Service cost | - | 1 |
| Interest cost | 63 | 79 |
| Plan participants contributions | 104 | 92 |
| Curtailment gain | - | (2,651) |
| Actuarial (gain) loss | (165) | 500 |
| Benefits paid | (257) | (328) |
| Benefit obligation — end of year | 1,519 | 1,774 |
| Change in plan assets: | | |
| Fair value of plan assets — beginning of year | - | - |
| Employer contributions ⁽¹⁾ | 153 | 236 |
| Plan participants contributions | 104 | 92 |
| Benefits paid | (257) | (328) |
| Fair value of plan assets — end of year | - | - |
| Reconciliation: | | |
| Funded status | (1,519) | (1,774) |
| Accrued postretirement cost | \$ (1,519) | \$ (1,774) |
| Assumptions: | | |
| Discount rate | 4.75% | 3.75% |

⁽¹⁾ The FPU Medical Plan did not receive a significant subsidy for the post-merger period.

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Net periodic postretirement cost for 2013 and 2012 includes the following components:

| | For the Year Ended December 31, | |
|--|---------------------------------|-----------------|
| | 2013 | 2012 |
| <i>(in thousands)</i> | | |
| Components of net periodic postretirement cost: | | |
| Service cost | \$ - | \$ 1 |
| Interest cost | 63 | 79 |
| Net periodic postretirement cost | \$ 63 | \$ 80 |
| Curtailment gain | - | (892) |
| Amortization of pre-merger regulatory asset | 8 | 8 |
| Total periodic postretirement cost | \$ 71 | \$ (804) |
| Assumptions | | |
| Discount rate | 3.75% | 4.50% |

Similar to the FPU Pension Plan, continued amortization of the FPU postretirement benefit regulatory asset related to the unrecognized cost prior to the merger with Chesapeake was included in the net periodic cost. The unamortized balance of this regulatory asset was \$54,000 and \$62,000 at December 31, 2013 and 2012, respectively.

The following table presents the amounts not yet reflected in net periodic benefit cost and included in FPU's accumulated other comprehensive income/loss or regulatory asset related to the above plans as of December 31, 2013:

| | FPU Pension Plan | FPU Medical Plan | Total |
|---|------------------------|------------------------|----------------|
| <i>(in thousands)</i> | | | |
| Net (gain) loss | \$5,298 | (\$142) | \$5,156 |
| Total | \$5,298 | (\$142) | \$5,156 |
| Accumulated other comprehensive loss pre-tax ⁽¹⁾ | \$1,007 | (\$27) | \$980 |
| Post-merger regulatory asset | 4,291 | (115) | 4,176 |
| Subtotal | 5,298 | (142) | 5,156 |
| Pre-merger regulatory asset | 4,348 | 54 | 4,402 |
| Total unrecognized cost | \$9,646 | (\$88) | \$9,558 |

⁽¹⁾The total amount of accumulated other comprehensive loss recorded on FPU's consolidated balance sheet as of December 31, 2013 is net of income tax benefits of \$378,000

The amounts in accumulated other comprehensive income/loss and regulatory asset for FPU's pension and postretirement benefits plans that are expected to be recognized as a component of net benefit cost in 2013 are set forth in the following table:

| | FPU Pension Plan | FPU Medical Plan | Total |
|---|------------------------|------------------------|--------|
| <i>(in thousands)</i> | | | |
| Amortization of pre-merger regulatory asset | \$ 761 | \$ 8 | \$ 769 |

Assumptions

The assumptions used for the discount rate to calculate the benefit obligations of our plans were based on the interest rates of high-quality bonds in 2013, reflecting the expected lives of the plans. In determining the average expected return on plan assets for the FPU Pension Plan, various factors, such as historical long-term return experience, investment policy and current and expected allocation, were considered. Since the FPU Pension Plan is frozen with respect to additional years of service and compensation, the rate of assumed compensation increases is not applicable.

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The health care inflation rate for 2013 used to calculate the benefit obligation is 6.5 percent for the FPU Medical Plan.

A one-percentage point increase in the health care inflation rate from the assumed rate would increase the accumulated postretirement benefit obligation by approximately \$119,000 as of December 31, 2013, and would increase the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2013 by approximately \$4,000. A one-percentage point decrease in the health care inflation rate from the assumed rate would decrease the accumulated postretirement benefit obligation by approximately \$106,000 as of December 31, 2013, and would decrease the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2013 by approximately \$4,000.

Estimated Future Benefit Payments

In 2014, FPU expects to contribute \$2.4 million and \$245,000 to the FPU Pension Plan and FPU Medical Plan, respectively. The schedule below shows the estimated future benefit payments for each FPU plan previously described:

| | FPU Pension Plan ⁽¹⁾ | FPU Medical Plan ⁽²⁾ |
|-------------------------|---------------------------------------|---------------------------------------|
| <i>(in thousands)</i> | | |
| 2014 | \$2,814 | \$245 |
| 2015 | \$2,886 | \$223 |
| 2016 | \$2,946 | \$203 |
| 2017 | \$2,988 | \$166 |
| 2018 | \$3,048 | \$133 |
| Years 2019 through 2023 | \$16,362 | \$393 |

⁽¹⁾ The pension plan is funded; therefore, benefit payments are expected to be paid out of the plan assets.

⁽²⁾ Benefit payments are expected to be paid out of our general funds.

Retirement Savings Plan

Effective January 1, 2012, FPU employees are eligible to participate in the Chesapeake Utilities Corporation 401(k) Retirement Savings Plan, which is a plan sponsored by Chesapeake. The benefits offered under the Chesapeake 401(k) Retirement Savings Plan effective January 1, 2012 are similar to the benefits previously offered by the FPU retirement savings plan. FPU offers the Chesapeake 401(k) plan to all eligible employees who have completed three months of service, except for employees represented by a collective bargaining agreement that does not specifically provide for participation in the plan, non-resident aliens with no U.S. source income and individuals classified as consultants, independent contractors or leased employees.

Prior to January 1, 2012, FPU maintained a separate 401(k) retirement savings plan. Effective January 1, 2011, FPU matched 100 percent of eligible non-union participants' pre-tax contributions to the FPU 401(k) plan up to a maximum of six percent of the eligible compensation. Eligible employees who had not opted out of the plan were automatically enrolled at the three-percent deferral rate and the automatic deferral would increase by one percent per year up to a maximum of six percent, unless an employee elected otherwise, with vesting of 100 percent after two years of service. Employees with one year of service were 20 percent vested and became 100 percent vested after two years of service. Participants were eligible for the employer contributions only if they have worked for a minimum number of hours as specified in our plan document during the plan year.

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For the years ended December 31, 2013 and 2012, our share of contributions to the Chesapeake 401(k) plan totaled \$287,539 and \$309,177, respectively.

Chesapeake offers a non-qualified supplemental employee retirement savings plan to its executives over a specific income threshold. Certain FPU executives participate in the Chesapeake non-qualified supplemental employee retirement savings plan. Participants receive a cash-only matching contribution percentage equivalent to their 401(k) match level. For the years ended December 31, 2013 and 2012 our share of the amounts matched to FPU's participants in this plan totaled \$6,746 and \$2,362, respectively.

8. Share-Based Compensation

Effective May 2, 2013, Chesapeake's key employees are awarded share-based awards through the Chesapeake's 2013 Stock and Incentive Compensation Plan ("SICP"). Prior to May 2, 2013, Chesapeake awarded its key employees share-based awards through the Chesapeake Performance Incentive Plan ("Chesapeake PIP"). The Chesapeake Compensation Committee is authorized to grant key employees of Chesapeake and its subsidiaries the right to receive awards of shares of Chesapeake common stock, contingent upon the achievement of established performance goals. These awards are subject to certain post-vesting transfer restrictions.

In July 2012, Chesapeake replaced a multi-year cash-based incentive award of one of FPU's officer with an award of 4,800 shares under the Chesapeake PIP. These shares will vest at the end of the service period ending December 31, 2014 and have terms and market/performance targets similar to other shares granted under the Chesapeake PIP in January 2012. No shares were granted to the FPU officer(s) by Chesapeake during 2013. In 2014, the same officer received an award of 4,428 shares and 3,758 shares under SICP for the three-year service period ending December 31, 2015 and 2016, respectively.

We record these share-based awards as compensation costs over the respective service period for which services are received in exchange for an award of equity or equity-based compensation. The compensation cost is based primarily on the fair value of the shares awarded, using the estimated fair value of each share on the date it was granted and the number of shares to be issued at the end of the service period.

These awards are based on multi-year performance plans, which are earned based upon the successful achievement of long-term goals, growth and financial results, which comprised both market-based and performance-based conditions or targets. The fair value of each share of stock tied to a performance-based condition or target is equal to the market price of Chesapeake common stock on the date of the grant. For the market-based conditions, Chesapeake used the Black-Scholes pricing model to estimate the fair value of each share of market-based award granted.

For the years ended December 31 2013 and 2012 we were allocated \$15,000 and \$35,000, respectively, in total compensation expense related to a FPU officer that participates in the Chesapeake's Share-based compensation plan.

The weighted average grant-date fair value of the awards granted under Chesapeake's share-based compensation plan during 2012 was \$39.62. As of December 31, 2013, there were 441,241 shares reserved for issuance under the Chesapeake PIP.

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9. Rates and Other Regulatory Activities

On July 2, 2013, FPU filed a petition with the FPSC for recognition of a regulatory liability for a one-time curtailment gain associated with a change in the FPU Medical Plan. The change in the FPU Medical Plan was implemented effective January 1, 2012 in an effort to conform the benefits offered to FPU employees to those offered by Chesapeake. The change in the FPU Medical Plan resulted in a total curtailment gain of \$892,000, of which \$722,000 was allocated to regulated operations. Since this gain resulted from the merger integration effort, FPU believes that the treatment most consistent with prior regulatory practice would be to record the gain allocated to the regulated operations as a regulatory liability and amortize that amount over a specified period. This treatment is similar to how merger-related costs and a one-time tax contingency gain were treated. FPU requested approval to record regulatory liabilities of \$722,000 of which \$464,000 and \$258,000, respectively, was allocated to us and electric operations. FPU also sought permission to amortize the proposed regulatory liabilities over a 34-month period, beginning January 1, 2012, and ending October 30, 2014. The FPSC approved this petition on October 24, 2013. We recorded \$327,000 of the amortization of this regulatory liability in 2013, including immediate recognition in current period earnings of the amortization related to the period prior to the FPSC's approval, which reduced depreciation and amortization expense.

On January 13, 2014, we, along with Indiantown and Fort Meade divisions and Chesapeake's Florida division filed a consolidated natural gas depreciation study with the FPSC. We also filed for approval to establish a regulatory asset and related amortization to address the costs associated with the development of this study. Depending on the results of this proceeding, we may be required to change our depreciation expense. The FPSC agenda date for the depreciation study has not yet been set.

10. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remediate at current and former operating sites the effect on the environment of the disposal or release of specified substances.

We have participated in the investigation, assessment or remediation, and have exposures at four former manufactured gas plant ("MGP") sites. Those sites are located in Key West, Pensacola, Sanford and West Palm Beach, Florida. As of December 31, 2013, we had approximately \$10.2 million in environmental liabilities related to all of the MGP sites, representing our estimate of the future costs associated with those sites. We have approval to recover up to \$14.0 million of the environmental costs related to all of our MGP sites from insurance and from customers through rates, approximately \$9.2 million of which has been recovered as of December 31, 2013. We had approximately \$4.8 million in regulatory assets for future recovery of environmental costs from our customers.

We continue to expect that all costs related to environmental remediation and related activities will be recoverable from customers through rates.

The following discussion provides details on MGP sites:

West Palm Beach, Florida

Remedial options are being evaluated to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property we own in West Palm Beach, Florida, where we previously operated a MGP. We are currently implementing a remedial plan approved by the Florida Department of Environmental Protection ("FDEP") for the east parcel of the West Palm Beach site, which includes installation of monitoring test wells, sparging of air into the groundwater system and extraction of vapors from the subsurface. It is anticipated that similar remedial actions ultimately will be implemented for other portions of the site. Estimated costs of remediation for the West Palm Beach site range from approximately \$4.5 million to \$15.4 million, including costs associated with the relocation of our operations at this site, which is necessary to implement the remedial plan, and any potential costs associated with future redevelopment of the properties.

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Sanford, Florida

We are the current owner of property in Sanford, Florida, which was a former MGP site that was operated by several other entities before we acquired the property. We were never an owner or an operator of the MGP. In January 2007, we and other responsible parties at the Sanford site (collectively with us the "Sanford Group") signed a Third Participation Agreement, which provides for the funding of the final remedy approved by the Environmental Protection Agency ("EPA") for the site. Our share of remediation costs under the Third Participation Agreement is set at five percent of a maximum of \$13.0 million, or \$650,000. As of December 31, 2013, we have paid \$650,000 to the Sanford Group escrow account for its entire share of the funding requirements.

The total cost of the final remedy is now estimated to be over \$20.0 million, which includes long-term monitoring and the settlement of claims asserted by two adjacent property owners to resolve damages that the property owners allege they have incurred and will incur as a result of the implementation of the EPA-approved remediation. In settlement of these claims, members of the Sanford Group, which in this instance does not include us, have agreed to pay specified sums of money to the parties. We have refused to participate in the funding of the third-party settlement agreements based on its contention that it did not contribute to the release of hazardous substances at the site giving rise to the third-party claims. We have advised the other members of the Sanford Group that we are unwilling at this time to agree to pay any sum in excess of the \$650,000 committed by us in the Third Participation Agreement.

As of December 31, 2013, our remaining remediation expenses, including attorneys' fees and costs, are estimated to be \$24,000. However, we are unable to determine, to a reasonable degree of certainty, whether the other members of the Sanford Group will accept our asserted defense to liability for costs exceeding \$13.0 million as provided in the Third Participation Agreement to implement the final remedy for this site or will pursue a claim against us for a sum in excess of the \$650,000 that we have paid under the Third Participation Agreement. No such claims have been made as of December 31, 2013.

Key West, Florida

We formerly owned and operated a MGP in Key West, Florida. Field investigations performed in the 1990s identified limited environmental impacts at the site, which is currently owned by an unrelated third party. In 2010, after 17 years of regulatory inactivity, FDEP observed that some soil and groundwater standards were exceeded and requested implementation of additional soil and groundwater fieldwork. The scope of work is limited to the installation of two additional monitoring wells and periodic monitoring of the new and existing wells. The two new monitoring wells were installed in November 2011, and groundwater monitoring began in December 2011. The first semi-annual report from the monitoring program was issued in May 2012. The data from the June 2012 and September 2012 monitoring events were submitted to the FDEP on October 4, 2012. FDEP responded via e-mail on October 9, 2012 that based on the data, Natural Attenuation Monitoring ("NAM") appears to be an appropriate remedy for the site. The FDEP issued a Remedial Action Plan approval order, dated October 12, 2012, which specified that a limited semi-annual monitoring program is to be conducted. The annual cost to conduct the limited NAM program is not expected to exceed \$8,000. Although the duration of the FDEP-required limited NAM cannot be determined with certainty, it is anticipated that total costs to complete the remedial action will not exceed \$50,000.

Pensacola, Florida

We formerly owned and operated a MGP in Pensacola, Florida, which was subsequently owned by Gulf Power. Portions of the site are now owned by the City of Pensacola and the Florida Department of Transportation ("FDOT"). In October 2009, FDEP informed Gulf Power that FDEP would approve a conditional No Further Action determination for the site, which must include a requirement for institutional and engineering controls. On December 13, 2011, Gulf Power, the City of Pensacola, FDOT and FPU submitted to FDEP a draft covenant for institutional and engineering controls for the site. Upon FDEP's approval and the subsequent recording of the institutional and engineering controls, no further work is expected to be required of the parties. Assuming FDEP approves the draft institutional and engineering controls, it is anticipated that our share of remaining legal and cleanup costs will not exceed \$5,000.

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|----------------------------------|--|--|--------------------|
| Florida Public Utilities Company | | | For the Year Ended |
| Natural Gas Division | | | December 31, 2013 |

NOTES TO FINANCIAL STATEMENTS

11. Other Commitments and Contingencies

We have entered into contractual commitments to purchase natural gas from various suppliers. The contracts have various expiration dates. The total purchase obligations for natural gas are \$12.7 million for 2014, \$11.9 million for 2015-2016, \$11.6 million for 2017-2018 and \$20.3 million thereafter.

We are involved in certain other legal actions and claims arising in the normal course of business. We are also involved in certain legal proceedings and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on our consolidated financial position, results of operations or cash flows.

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

| Line No. | Item (a) | Total (b) | Gas (c) |
|----------|--|-----------------|-----------------|
| 1 | UTILITY PLANT | | |
| 2 | In Service | | |
| 3 | 101 Plant in Service (Classified) | \$ 155,120,972 | \$ 155,120,972 |
| 4 | 101.1 Property Under Capital Leases | | |
| 5 | 102 Plant Purchased or Sold | | |
| 6 | 106 Completed Construction not Classified | | |
| 7 | 103 Experimental Plant Unclassified | | |
| 8 | 104 Leased to Others | \$ - | \$ - |
| 9 | 105 Held for Future Use | | |
| 10 | 114 Acquisition Adjustments | \$ 54,954,566 | \$ 54,954,566 |
| 11 | TOTAL Utility Plant (Total of lines 3 through 10) | \$ 210,075,538 | \$ 210,075,538 |
| 12 | 107 Construction Work in Progress | \$ 6,273,857 | \$ 6,273,857 |
| 13 | Accum. Provision for Depreciation, Amortization, & Depletion | \$ (60,101,471) | \$ (60,101,471) |
| 14 | Net Utility Plant (Total of lines 11 plus 12 less line 13) | \$ 156,247,924 | \$ 156,247,924 |
| 15 | DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION | | |
| 16 | In Service: | | |
| 17 | 108 Depreciation | \$ 52,049,055 | \$ 52,049,055 |
| 18 | 111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights | | \$ - |
| 19 | 111 Amort. of Underground Storage Land and Land Rights | | \$ - |
| 20 | 119 Amortization of Other Utility Plant | | \$ - |
| 21 | TOTAL in Service (Total of lines 17 through 20) | \$ 52,049,055 | \$ 52,049,055 |
| 22 | Leased to Others | | |
| 23 | 108 Depreciation | | |
| 24 | 111 Amortization and Depletion | | |
| 25 | TOTAL Leased to Others (Total of lines 23 and 24) | | |
| 26 | Held for Future Use | | |
| 27 | 108 Depreciation | | |
| 28 | 111 Amortization | | |
| 29 | TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28) | \$ - | \$ - |
| 30 | 111 Abandonment of Leases (Natural Gas) | | |
| 31 | 115 Amortization of Plant Acquisition Adjustment | \$ 8,052,416 | \$ 8,052,416 |
| 32 | TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31) | \$ 60,101,471 | \$ 60,101,471 |

**Annual Status Report
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|---|------------|--------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| General Plant Assets: | | | | | | | | | |
| 301 | Organization | | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | | 216,225 | - | - | - | - | - | 216,225 |
| 374 | Land - Distribution | | 164,608 | - | - | - | - | - | 164,608 |
| 389 | Land - General | | 3,994,704 | 305,738 | - | - | - | (20,500) | 4,279,942 |
| | Land - Other | | | | | | | | |
| Amortizable General Plant Assets: | | | | | | | | | |
| Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | |
| 3741 | Land Rights | 3.30% | 12,910 | - | - | - | - | - | 12,910 |
| 375 | Structures and Improvements | 3.10% | 538,949 | 172,535 | - | - | - | - | 711,484 |
| 3761 | Mains - Plastic | 2.50% | 38,948,700 | 2,967,230 | (42,530) | (460,607) | (417,021) | - | 40,995,772 |
| 3762 | Mains - Other | 2.80% | 31,320,771 | 124,485 | (46,932) | 24,506 | (35,125) | (659,528) | 30,728,176 |
| 378 | Meas. And Reg. Sta. Equipment - General | 3.80% | 424,798 | 5,000 | - | 5,360 | - | (41,679) | 393,478 |
| 379 | meas. And Reg. Sta. Equipment - City Gate | 3.80% | 3,270,188 | 179,091 | - | - | - | (23,623) | 3,425,657 |
| 3801 | Services - Plastic | 3.40% | 27,621,600 | 1,877,223 | (92,215) | - | (110,695) | - | 29,295,913 |
| 3802 | Services - Other | 11.10% | 1,937,211 | 31,851 | (37,891) | - | - | - | 1,931,171 |
| 381 | Meters | 3.40% | 6,910,158 | 788,508 | (25,924) | - | - | - | 7,672,742 |
| 382 | Meter Installations | 3.00% | 4,086,647 | 470,735 | (2,040) | - | - | - | 4,555,342 |
| 383 | House Regulators | 3.40% | 2,430,939 | 166,204 | (5,300) | - | - | - | 2,591,844 |
| 384 | House Reg. Installations | 3.00% | 1,049,206 | - | (1,011) | - | - | - | 1,048,196 |
| 385 | Industrial Meas. And Reg. Sta. Equipment | 7.80% | 55,465 | - | - | - | - | - | 55,465 |
| 386 | Other Property on Customers Prem. | | - | - | - | - | - | - | - |
| 387 | Other Equipment | 4.70% | 878,988 | 68,418 | - | - | - | - | 947,406 |
| | TOTAL DISTRIBUTION PLANT | | 123,862,068 | 7,157,019 | (253,843) | (430,741) | (562,841) | (745,330) | 129,026,330 |
| GENERAL PLANT | | | | | | | | | |
| 390 | Structures and Improvements | 2.60% | 1,567,269 | 769,862 | - | - | - | - | 2,337,131 |
| 3910 | Office Furniture | 4.80% | 298,334 | 109,806 | (47,120) | - | - | - | 361,020 |
| 3911 | Computers & Peripherals | 7.30% | - | 12,738 | - | - | - | - | 12,738 |
| 3912 | Computer Hardware | 7.30% | 1,272,190 | 25,590 | (7,834) | - | - | - | 1,289,946 |
| 3913 | EDP Equipment | 11.10% | 472,945 | 3,948 | - | - | - | - | 476,893 |
| 3914 | Software | 11.10% | 1,580,371 | 289,278 | (228,480) | - | - | - | 1,641,169 |
| 3921 | Transportation - Cars | 13.10% | 257,970 | - | (54,695) | 41,625 | - | - | 244,800 |
| 3922 | Transportation - Light Trucks, Vans | 8.60% | 3,946,788 | 888,495 | (268,204) | (9,622) | - | 62,067 | 4,619,504 |
| 3923 | Transportation - Heavy Trucks | 8.20% | - | - | - | - | - | - | - |
| 3924 | Transportation - Trailers | 5.20% | 89,339 | - | - | - | - | - | 89,339 |
| 393 | Stores Equipment | 4.00% | 16,785 | - | - | - | - | - | 16,785 |

**Annual Status Report
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas
For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|------------------------------------|-----------------------------------|------------|--------------------|------------|-------------|-----------|-------------|-----------|-----------------|
| (Continued) | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | 7.20% | 424,110 | 34,054 | - | - | - | - | 458,164 |
| 395 | Laboratory Equipment | | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | 6.80% | 520,009 | 13,121 | - | - | - | - | 533,130 |
| 397 | Communication Equipment | 9.20% | 377,934 | 28,721 | - | - | - | - | 406,655 |
| 398 | Miscellaneous Equipment | 6.00% | 211,033 | 9,441 | - | - | - | - | 220,473 |
| | SUBTOTAL | | 11,035,055 | 2,185,054 | (606,332) | 31,903 | - | 62,067 | 12,707,746 |
| 399 | Other Tangible Property | 20.00% | 12,985 | - | - | - | - | - | 12,985 |
| 376G | Mains Plastic-GRIP | | 617,928 | 8,507,638 | - | 460,601 | - | - | 9,586,168 |
| 380G | Services Plastic-GRIP | | 153,685 | 3,634,058 | - | - | - | - | 3,787,743 |
| | TOTAL GENERAL PLANT | | 11,819,654 | 14,326,750 | (606,332) | 492,504 | - | 62,067 | 26,094,642 |
| | TOTAL DISTRIBUTION PLANT | | 123,862,068 | 7,157,019 | (253,843) | (430,741) | (562,841) | (745,330) | 129,026,330 |
| | TOTAL GAS PLANT IN SERVICE | | 135,681,721 | 21,483,770 | (860,176) | 61,763 | (562,841) | (683,264) | 155,120,972 |
| Capital Recovery Schedules: | | | | | | | | | |
| NONE | | | | | | | | | |
| Total Account 101* | | | 135,681,721 | 21,483,770 | (860,176) | 61,763 | (562,841) | (683,264) | 155,120,972 |
| Amortizable Assets: | | | | | | | | | |
| 114 | Acquisition Adjustment | | 54,954,566 | - | - | - | - | - | 54,954,566 |
| 104 | Leased Plant to Others | | 351 | - | - | - | (351) | - | - |
| | Other | | - | - | - | - | - | - | - |
| Total Utility Plant | | | 190,636,637 | 21,483,770 | (860,176) | 61,763 | (563,192) | (683,264) | 210,075,538 |

Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.
 * Account 3761,3762 and 3801 adjustments are Contribution in Aid of Construction (CIAC) which are a combination of non-refundable and expired contracts that were not due a refund
 * The grand total balances include Florida Public Utilities Company Allocation of Common Plant (see following pages 14.1 and 14.2 for additional details)
 * The grand total balances exclude Acct 115 and 107.

**Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|---|---------------------|--------------------|----------|----------------|----------------|-----------------|-------------|---------------|---------------------|
| Amortizable General Plant Assets: | | | | | | | | | | |
| 301 | Organization | - | - | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | (127,642) | - | - | - | - | - | - | - | (127,642) |
| 374 | Land - Distribution | - | - | - | - | - | - | - | - | - |
| 389 | Land - General | - | - | - | - | - | - | - | - | - |
| | Land - Other - Common | - | - | - | - | - | - | - | - | - |
| This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | | |
| 3741 | Land Rights | 3,912 | (432) | - | - | - | - | - | - | 3,480 |
| 375 | Structures and Improvements | (324,629) | (19,826) | - | - | - | - | - | - | (344,455) |
| 3761 | Mains - Plastic | (8,004,233) | (989,540) | - | 42,530 | (2,854) | 20,811 | - | 9,019 | (8,924,267) |
| 3762 | Mains - Other | (17,599,409) | (861,329) | - | 46,932 | (2,232) | 8,148 | - | 14,516 | (18,393,374) |
| 378 | Meas. and Reg. Sta. Equipment - General | (152,493) | (14,976) | - | - | - | - | - | 952 | (166,516) |
| 379 | Meas. and Reg. Sta. Equipment - City Gate | (915,055) | (123,528) | - | - | - | - | - | 224 | (1,038,359) |
| 3801 | Services - Plastic | (8,691,355) | (963,741) | - | 92,215 | - | 148,025 | - | - | (9,414,855) |
| 3802 | Services - Other | (2,272,079) | (214,068) | - | 37,891 | - | - | - | - | (2,448,256) |
| 381 | Meters | (2,967,669) | (243,524) | - | 25,924 | - | - | - | - | (3,185,269) |
| 382 | Meter Installations | (1,217,485) | (128,404) | - | 2,040 | - | 8,728 | - | - | (1,335,120) |
| 383 | House Regulators | (1,076,597) | (83,722) | - | 5,300 | - | - | - | - | (1,155,020) |
| 384 | House Reg. Installations | (413,704) | (31,464) | - | 1,011 | - | - | - | - | (444,157) |
| 385 | Industrial Meas. and Reg. Sta. Equipment | (29,206) | (4,320) | - | - | - | - | - | - | (33,526) |
| 386 | Other Property on Customers Prem. | - | - | - | - | - | - | - | - | - |
| 387 | Other Equipment | (209,454) | (42,324) | - | - | - | - | - | - | (251,778) |
| | TOTAL DISTRIBUTION PLANT | (43,997,097) | (3,721,198) | - | 253,843 | (5,086) | 185,712 | - | 24,711 | (47,259,115) |
| GENERAL PLANT | | | | | | | | | | |
| 390 | Structures and Improvements | (357,865) | (41,797) | - | - | - | - | - | - | (399,662) |
| 3910 | Office Furniture | (110,997) | (20,061) | - | 47,120 | - | - | - | - | (83,937) |
| 3911 | Computers & Peripherals | - | - | - | - | - | - | - | - | - |
| 3912 | Computer Hardware | (360,973) | (142,163) | - | 7,834 | - | - | - | - | (485,302) |
| 3913 | EDP Equipment | (67,432) | (22,732) | - | - | - | - | - | - | (90,164) |
| 3914 | Software | (1,399,574) | (62,792) | - | 228,480 | - | - | - | - | (1,233,886) |
| 3921 | Accum. Dep. - Transportation - Cars | (56,112) | (24,970) | - | 54,695 | (16,640) | - | - | 9,003 | (34,024) |
| 3922 | Accum. Dep. - Trans. - Light Trucks, vans | (1,528,221) | (331,284) | - | 268,204 | (46,022) | - | - | (94,779) | (1,732,103) |
| 3923 | Accum. Dep. - Trans. - Heavy Trucks | - | - | - | - | - | - | - | - | - |
| 3924 | Accum. Dep. - Transportation - Trailers | (45,754) | (3,079) | - | - | - | - | - | - | (48,834) |
| 393 | Stores Equipment | (10,474) | (672) | - | - | - | - | - | - | (11,146) |

**Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|--|---|---------------------|--------------------|----------|----------------|-----------------|-----------------|-------------|------------------|---------------------|
| (Continued) | | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | (264,834) | (31,765) | - | - | - | - | - | - | (296,599) |
| 395 | Laboratory Equipment | - | - | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | (235,080) | (35,967) | - | - | - | - | - | - | (271,047) |
| 397 | Communication Equipment | (97,605) | (34,905) | - | - | - | - | - | - | (132,511) |
| 398 | Miscellaneous Equipment | (67,687) | (12,798) | - | - | - | - | - | - | (80,485) |
| | SUBTOTAL | (4,592,607) | (764,986) | - | 606,333 | (62,662) | - | - | (85,776) | (4,899,699) |
| 399 | Other Tangible Property | (13,890) | (1,810) | - | - | - | - | - | - | (15,699) |
| 376G | Mains Plastic-GRIP | - | (58,063) | - | - | - | 71,723 | - | (11,170) | 2,490 |
| 380G | Services Plastic-GRIP | - | (33,068) | - | - | - | 137,127 | - | - | 104,059 |
| | TOTAL GENERAL PLANT | (4,606,497) | (857,927) | - | 606,333 | (62,662) | 208,850 | - | (96,946) | (4,808,850) |
| | TOTAL DISTRIBUTION PLANT | (43,997,097) | (3,721,198) | - | 253,843 | (5,086) | 185,712 | - | 24,711 | (47,259,115) |
| | TOTAL GAS PLANT IN SERVICE | (48,603,594) | (4,579,125) | - | 860,176 | (67,748) | 394,562 | - | (72,235) | (52,067,964) |
| Capital Recovery Schedules: | | | | | | | | | | |
| NONE | | | | | | | | | | |
| | Subtotal | (48,603,594) | (4,579,125) | - | 860,176 | (67,748) | 394,562 | - | (72,235) | (52,067,964) |
| List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8. | | | | | | | | | | |
| 106 | RWIP | 14,290 | - | - | 4,619 | - | - | - | - | 18,909 |
| 104 | Leased Plant | - | - | - | - | - | - | - | - | - |
| | FPU transportation depreciation charges allocated to various business units | - | 344,967 | - | - | - | - | - | (344,967) | - |
| 392 | Allocation of Common Plant from Florida Public Utilities consolidated | - | 121,270 | - | - | - | - | - | (121,270) | - |
| | Subtotal | 14,290 | 466,237 | - | 4,619 | - | - | - | (466,237) | 18,909 |
| | Grand Total | (48,589,305) | (4,112,888) | - | 864,795 | (67,748) | 394,562 | - | (538,472) | (52,049,055) |
| <p>Note: * The grand total of beginning and ending balances must agree to Line 17, Page 12.</p> <p>* The grand total balances include Florida Public Utilities Company Allocation of Common Plant (see following pages 16.1 and 16.2 for additional details)</p> <p>* The grand total balances exclude Acct 115 and 107.</p> | | | | | | | | | | |

**Annual Status Report
Analysis of Plant in Service Accounts**

Common Plants Allocated to Florida Public Utilities Natural Gas
For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|---|------------|--------------------|-----------|-------------|----------|-------------|-----------|-----------------|
| Amortizable General Plant Assets: | | | | | | | | | |
| 301 | Organization | | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | | 2,584 | - | - | - | - | - | 2,584 |
| 374 | Land - Distribution | | - | - | - | - | - | - | - |
| 389 | Land - General | | - | - | - | - | - | - | - |
| | Land - Other | | - | - | - | - | - | - | - |
| Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | |
| 3741 | Land Rights | 3.30% | - | - | - | - | - | - | - |
| 375 | Structures and Improvements | 3.10% | - | - | - | - | - | - | - |
| 3761 | Mains - Plastic | 2.50% | - | - | - | - | - | - | - |
| 3762 | Mains - Other | 2.80% | - | - | - | - | - | - | - |
| 378 | Meas. And Reg. Sta. Equipment - General | 3.80% | - | - | - | - | - | - | - |
| 379 | meas. And Reg. Sta. Equipment - City Gate | 3.80% | - | - | - | - | - | - | - |
| 3801 | Services - Plastic | 3.40% | - | - | - | - | - | - | - |
| 3802 | Services - Other | 11.10% | - | - | - | - | - | - | - |
| 381 | Meters | 3.40% | - | - | - | - | - | - | - |
| 382 | Meter Installations | 3.00% | - | - | - | - | - | - | - |
| 383 | House Regulators | 3.40% | - | - | - | - | - | - | - |
| 384 | House Reg. Installations | 3.00% | - | - | - | - | - | - | - |
| 385 | Industrial Meas. And Reg. Sta. Equipment | 7.80% | - | - | - | - | - | - | - |
| 386 | Other Property on Customers Prem. | | - | - | - | - | - | - | - |
| 387 | Other Equipment | 4.70% | - | - | - | - | - | - | - |
| | TOTAL DISTRIBUTION PLANT | | 2,584 | - | - | - | - | - | 2,584 |
| GENERAL PLANT | | | | | | | | | |
| 390 | Structures and Improvements | 2.60% | 62,780 | 52,950 | - | - | - | - | 115,730 |
| 3910 | Office Furniture | 4.80% | 134,739 | 27,403 | (47,120) | - | - | - | 115,022 |
| 3911 | Computers & Peripherals | 7.30% | - | - | - | - | - | - | - |
| 3912 | Computer Hardware | 7.30% | 614,454 | - | (7,834) | - | - | - | 606,620 |
| 3913 | EDP Equipment | 11.10% | 356,586 | 354 | - | - | - | - | 356,940 |
| 3914 | Software | 11.10% | 1,014,814 | - | (228,480) | - | - | - | 786,334 |
| 3921 | Transportation - Cars | 13.10% | 98,927 | - | (40,144) | - | - | - | 58,783 |
| 3922 | Transportation - Light Trucks, Vans | 8.60% | 31,723 | 42,088 | (20,793) | - | - | - | 53,018 |
| 3923 | Transportation - Heavy Trucks | 8.20% | - | - | - | - | - | - | - |
| 3924 | Transportation - Trailers | 5.20% | - | - | - | - | - | - | - |
| 393 | Stores Equipment | 4.00% | - | - | - | - | - | - | - |

**Annual Status Report
Analysis of Plant in Service Accounts**

Common Plants Allocated to Florida Public Utilities Natural Gas
For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|-----------------------------------|------------|--------------------|----------------|------------------|----------|-------------|-----------|------------------|
| (Continued) | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | 7.20% | - | - | - | - | - | - | - |
| 395 | Laboratory Equipment | | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | 6.80% | - | - | - | - | - | - | - |
| 397 | Communication Equipment | 9.20% | 93,612 | - | - | - | - | - | 93,612 |
| 398 | Miscellaneous Equipment | 6.00% | 16,605 | - | - | - | - | - | 16,605 |
| | SUBTOTAL | | 2,424,239 | 122,795 | (344,371) | - | - | - | 2,202,662 |
| 399 | Other Tangible Property | 20.00% | 12,985 | - | - | - | - | - | 12,985 |
| 376G | Mains Plastic-GRIP | | - | - | - | - | - | - | - |
| 380G | Services Plastic-GRIP | | - | - | - | - | - | - | - |
| | TOTAL GENERAL PLANT | | 2,437,224 | 122,795 | (344,371) | - | - | - | 2,215,647 |
| | TOTAL DISTRIBUTION PLANT | | 2,584 | - | - | - | - | - | 2,584 |
| | TOTAL GAS PLANT IN SERVICE | | 2,439,808 | 122,795 | (344,371) | - | - | - | 2,218,231 |
| Capital Recovery Schedules: | | | | | | | | | |
| NONE | | | | | | | | | |
| Total Account 101* | | | 2,439,807 | 122,795 | (344,371) | - | - | - | 2,218,231 |
| Amortizable Assets: | | | | | | | | | |
| 114 | Acquisition Adjustment | | 3,877,668 | | | | | | 3,877,668 |
| 104 | Leased Plant to Others | | | | | | | | - |
| | Other | | | | | | | | |
| Total Utility Plant | | | 6,317,475 | 122,795 | (344,371) | - | - | - | 6,095,899 |
| Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12. * The grand total balances on pages 13.1-16.1 are Florida Public Utilities Company Allocation of Common Plant only | | | | | | | | | |

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Common Plants Allocated to Florida Public Utilities Natural Gas
 For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|--|---|--------------------|----------|----------|-------------|---------------|-----------------|-------------|-----------|-----------------|
| Amortizable General Plant Assets: | | | | | | | | | | |
| 301 | Organization | - | - | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | - | - | - | - | - | - | - | - | - |
| 374 | Land - Distribution | - | - | - | - | - | - | - | - | - |
| 389 | Land - General | - | - | - | - | - | - | - | - | - |
| | Land - Other - Common | - | - | - | - | - | - | - | - | - |
| This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | | |
| 3741 | Land Rights | - | - | - | - | - | - | - | - | - |
| 375 | Structures and Improvements | - | - | - | - | - | - | - | - | - |
| 3761 | Mains - Plastic | - | - | - | - | - | - | - | - | - |
| 3762 | Mains - Other | - | - | - | - | - | - | - | - | - |
| 378 | Meas. and Reg. Sta. Equipment - General | - | - | - | - | - | - | - | - | - |
| 379 | Meas. and Reg. Sta. Equipment - City Gate | - | - | - | - | - | - | - | - | - |
| 3801 | Services - Plastic | - | - | - | - | - | - | - | - | - |
| 3802 | Services - Other | - | - | - | - | - | - | - | - | - |
| 381 | Meters | - | - | - | - | - | - | - | - | - |
| 382 | Meter Installations | - | - | - | - | - | - | - | - | - |
| 383 | House Regulators | - | - | - | - | - | - | - | - | - |
| 384 | House Reg. Installations | - | - | - | - | - | - | - | - | - |
| 385 | Industrial Meas. and Reg. Sta. Equipment | - | - | - | - | - | - | - | - | - |
| 386 | Other Property on Customers Prem. | - | - | - | - | - | - | - | - | - |
| 387 | Other Equipment | - | - | - | - | - | - | - | - | - |
| | TOTAL DISTRIBUTION PLANT | - | - | - | - | - | - | - | - | - |
| GENERAL PLANT | | | | | | | | | | |
| 390 | Structures and Improvements | (1,453) | (2,664) | - | - | - | - | - | - | (4,118) |
| 3910 | Office Furniture | (48,296) | (7,496) | - | 47,120 | - | - | - | - | (8,672) |
| 3911 | Computers & Peripherals | - | - | - | - | - | - | - | - | - |
| 3912 | Computer Hardware | (188,370) | (68,203) | - | 7,834 | - | - | - | - | (248,739) |
| 3913 | EDP Equipment | (12,571) | (17,121) | - | - | - | - | - | - | (29,692) |
| 3914 | Software | (1,014,814) | - | - | 228,480 | - | - | - | - | (786,334) |
| 3921 | Accum. Dep. - Transportation - Cars | (11,631) | (10,998) | - | 40,144 | (16,640) | - | - | - | 875 |
| 3922 | Accum. Dep. - Trans. - Light Trucks, vans | (6,212) | (3,368) | - | 20,793 | - | - | - | - | 11,213 |
| 3923 | Accum. Dep. - Trans. - Heavy Trucks | - | - | - | - | - | - | - | - | - |
| 3924 | Accum. Dep. - Transportation - Trailers | - | - | - | - | - | - | - | - | - |
| 393 | Stores Equipment | - | - | - | - | - | - | - | - | - |

Annual Status Report

Analysis of Entries in Accumulated Depreciation & Amortization

Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|-----------------------------------|--------------------|------------------|----------|----------------|-----------------|-----------------|-------------|-----------|--------------------|
| (Continued) | | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | - | - | - | - | - | - | - | - | - |
| 395 | Laboratory Equipment | - | - | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | - | - | - | - | - | - | - | - | - |
| 397 | Communication Equipment | 31,230 | (8,611) | - | - | - | - | - | - | 22,619 |
| 398 | Miscellaneous Equipment | (5,393) | (998) | - | - | - | - | - | - | (6,392) |
| | SUBTOTAL | (1,257,510) | (119,460) | - | 344,371 | (16,640) | - | - | - | (1,049,239) |
| 399 | Other Tangible Property | (13,890) | (1,810) | - | - | - | - | - | - | (15,699) |
| 376G | Mains Plastic-GRIP | - | - | - | - | - | - | - | - | - |
| 380G | Services Plastic-GRIP | - | - | - | - | - | - | - | - | - |
| | TOTAL GENERAL PLANT | (1,271,400) | (121,270) | - | 344,371 | (16,640) | - | - | - | (1,064,938) |
| | TOTAL DISTRIBUTION PLANT | - | - | - | - | - | - | - | - | - |
| | TOTAL GAS PLANT IN SERVICE | (1,271,400) | (121,270) | - | 344,371 | (16,640) | - | - | - | (1,064,938) |
| Capital Recovery Schedules: | | | | | | | | | | |
| NONE | | | | | | | | | | |
| Subtotal | | (1,271,400) | (121,270) | - | 344,371 | (16,640) | - | - | - | (1,064,938) |
| List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8. | | | | | | | | | | |
| 1089 | RWIP | - | - | - | - | - | - | - | - | - |
| 1040 | Leased Plant | - | - | - | - | - | - | - | - | - |
| | Subtotal | - | - | - | - | - | - | - | - | - |
| | Grand Total | (1,271,400) | (121,270) | - | 344,371 | (16,640) | - | - | - | (1,064,938) |
| Note: * The grand total of beginning and ending balances must agree to Line 17, Page 12. * The grand total balances on pages 13.1-16.1 are Florida Public Utilities Company Allocation of Common Plant only | | | | | | | | | | |

**Annual Status Report
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division
For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass. | Adjustments | Transfers | Ending Balance* |
|--|---|------------|--------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Amortizable General Plant Assets: | | | | | | | | | |
| 301 | Organization | | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | | 213,641 | - | - | - | - | - | 213,641 |
| 374 | Land - Distribution | | 164,608 | - | - | - | - | - | 164,608 |
| 389 | Land - General | | 3,994,704 | 305,738 | - | - | - | (20,500) | 4,279,942 |
| | Land - Other | | | | | | | | |
| Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | |
| 3741 | Land Rights | 3.30% | 12,910 | - | - | - | - | - | 12,910 |
| 375 | Structures and Improvements | 3.10% | 538,949 | 172,535 | - | - | - | - | 711,484 |
| 3761 | Mains - Plastic | 2.50% | 38,948,700 | 2,967,230 | (42,530) | (460,607) | (417,021) | - | 40,995,772 |
| 3762 | Mains - Other | 2.80% | 31,320,771 | 124,485 | (46,932) | 24,506 | (35,125) | (659,528) | 30,728,176 |
| 378 | Meas. And Reg. Sta. Equipment - General | 3.80% | 424,798 | 5,000 | - | 5,360 | - | (41,679) | 393,478 |
| 379 | meas. And Reg. Sta. Equipment - City Gate | 3.80% | 3,270,188 | 179,091 | - | - | - | (23,623) | 3,425,657 |
| 3801 | Services - Plastic | 3.40% | 27,621,600 | 1,877,223 | (92,215) | - | (110,695) | - | 29,295,913 |
| 3802 | Services - Other | 11.10% | 1,937,211 | 31,851 | (37,891) | - | - | - | 1,931,171 |
| 381 | Meters | 3.40% | 6,910,158 | 788,508 | (25,924) | - | - | - | 7,672,742 |
| 382 | Meter Installations | 3.00% | 4,086,647 | 470,735 | (2,040) | - | - | - | 4,555,342 |
| 383 | House Regulators | 3.40% | 2,430,939 | 166,204 | (5,300) | - | - | - | 2,591,844 |
| 384 | House Reg. Installations | 3.00% | 1,049,206 | - | (1,011) | - | - | - | 1,048,196 |
| 385 | Industrial Meas. And Reg. Sta. Equipment | 7.80% | 55,465 | - | - | - | - | - | 55,465 |
| 386 | Other Property on Customers Prem. | | - | - | - | - | - | - | - |
| 387 | Other Equipment | 4.70% | 878,988 | 68,418 | - | - | - | - | 947,406 |
| | TOTAL DISTRIBUTION PLANT | | 123,858,484 | 7,157,019 | (253,843) | (430,741) | (562,841) | (745,330) | 128,023,748 |
| GENERAL PLANT | | | | | | | | | |
| 390 | Structures and Improvements | 2.60% | 1,504,489 | 716,912 | - | - | - | - | 2,221,401 |
| 3910 | Office Furniture | 4.80% | 163,595 | 82,403 | - | - | - | - | 245,998 |
| 3911 | Computers & Peripherals | 7.30% | - | 12,738 | - | - | - | - | 12,738 |
| 3912 | Computer Hardware | 7.30% | 657,736 | 25,590 | - | - | - | - | 683,326 |
| 3913 | EDP Equipment | 11.10% | 116,359 | 3,594 | - | - | - | - | 119,954 |
| 3914 | Software | 11.10% | 565,557 | 289,278 | - | - | - | - | 854,835 |
| 3921 | Transportation - Cars | 13.10% | 159,043 | - | (14,551) | 41,525 | - | - | 186,017 |
| 3922 | Transportation - Light Trucks, Vans | 8.60% | 3,915,045 | 846,407 | (247,410) | (9,622) | - | 62,067 | 4,566,487 |
| 3923 | Transportation - Heavy Trucks | 8.20% | - | - | - | - | - | - | - |
| 3924 | Transportation - Trailers | 5.20% | 89,339 | - | - | - | - | - | 89,339 |
| 393 | Stores Equipment | 4.00% | 16,785 | - | - | - | - | - | 16,785 |

**Annual Status Report
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division
For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Depr. Rate | Beginning Balance* | Additions | Retirements | Reclass | Adjustments | Transfers | Ending Balance* |
|------------------------------------|-----------------------------------|------------|--------------------|-------------------|------------------|------------------|------------------|------------------|--------------------|
| (Continued) | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | 7.20% | 424,110 | 34,054 | - | - | - | - | 458,164 |
| 395 | Laboratory Equipment | | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | 6.80% | 520,009 | 13,121 | - | - | - | - | 533,130 |
| 397 | Communication Equipment | 9.20% | 284,322 | 28,721 | - | - | - | - | 313,043 |
| 398 | Miscellaneous Equipment | 6.00% | 194,427 | 9,441 | - | - | - | - | 203,868 |
| | SUBTOTAL | | 8,610,816 | 2,062,259 | (261,961) | 31,903 | - | 62,067 | 10,505,084 |
| 399 | Other Tangible Property | 20.00% | - | - | - | - | - | - | - |
| 376G | Mains Plastic-GRIP | 2.50% | 617,928 | 8,507,638 | - | 460,601 | - | - | 9,586,168 |
| 380G | Services Plastic-GRIP | 3.40% | 153,685 | 3,634,058 | - | - | - | - | 3,787,743 |
| | TOTAL GENERAL PLANT | | 9,382,430 | 14,203,955 | (261,961) | 492,504 | - | 62,067 | 23,878,995 |
| | TOTAL DISTRIBUTION PLANT | | 123,859,484 | 7,157,019 | (253,843) | (430,741) | (562,841) | (745,330) | 129,023,746 |
| | TOTAL GAS PLANT IN SERVICE | | 133,241,914 | 21,360,975 | (515,804) | 61,763 | (562,841) | (683,264) | 152,902,741 |
| Capital Recovery Schedules: | | | | | | | | | |
| NONE | | | | | | | | | |
| Total Account 101* | | | 133,241,914 | 21,360,975 | (515,804) | 61,763 | (562,841) | (683,264) | 152,902,741 |
| Amortizable Assets: | | | | | | | | | |
| 114 | Acquisition Adjustment | | 51,076,898 | | | | | | 51,076,898 |
| 104 | Leased Plant to Others | | 351 | | | | (351) | | - |
| | Other | | | | | | | | |
| Total Utility Plant | | | 184,319,162 | 21,360,975 | (515,804) | 61,763 | (563,192) | (683,264) | 203,979,639 |

Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.

* The grand total balances on pages 13.2-16.2 are Florida Public Utilities Company Natural Gas Division only

Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization

Florida Public Utilities Company - Natural Gas Division
 For the Year Ended December 31, 2013

Page 1 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|--|---|---------------------|--------------------|----------|----------------|----------------|-----------------|-------------|---------------|---------------------|
| Amortizable General Plant Assets: | | | | | | | | | | |
| 301 | Organization | - | - | - | - | - | - | - | - | - |
| 303 | Miscellaneous Intangible Plant | (127,642) | - | - | - | - | - | - | - | (127,642) |
| 374 | Land - Distribution | - | - | - | - | - | - | - | - | - |
| 389 | Land - General | - | - | - | - | - | - | - | - | - |
| | Land - Other - Common | - | - | - | - | - | - | - | - | - |
| This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC. | | | | | | | | | | |
| DISTRIBUTION PLANT | | | | | | | | | | |
| 3741 | Land Rights | 3,912 | (432) | - | - | - | - | - | - | 3,480 |
| 375 | Structures and Improvements | (324,629) | (19,826) | - | - | - | - | - | - | (344,455) |
| 3761 | Mains - Plastic | (8,004,233) | (989,540) | - | 42,530 | (2,854) | 20,811 | - | 9,019 | (8,924,267) |
| 3762 | Mains - Other | (17,599,409) | (861,329) | - | 46,932 | (2,232) | 8,148 | - | 14,516 | (18,393,374) |
| 378 | Meas. and Reg. Sta. Equipment - General | (152,493) | (14,976) | - | - | - | - | - | 952 | (166,516) |
| 379 | Meas. and Reg. Sta. Equipment - City Gate | (915,055) | (123,528) | - | - | - | - | - | 224 | (1,038,359) |
| 3801 | Services - Plastic | (8,691,355) | (963,741) | - | 92,215 | - | 148,025 | - | - | (9,414,855) |
| 3802 | Services - Other | (2,272,079) | (214,068) | - | 37,891 | - | - | - | - | (2,448,256) |
| 381 | Meters | (2,967,669) | (243,524) | - | 25,924 | - | - | - | - | (3,185,269) |
| 382 | Meter Installations | (1,217,485) | (128,404) | - | 2,040 | - | 8,728 | - | - | (1,335,120) |
| 383 | House Regulators | (1,076,597) | (83,722) | - | 5,300 | - | - | - | - | (1,155,020) |
| 384 | House Reg. Installations | (413,704) | (31,464) | - | 1,011 | - | - | - | - | (444,157) |
| 385 | Industrial Meas. and Reg. Sta. Equipment | (29,206) | (4,320) | - | - | - | - | - | - | (33,526) |
| 386 | Other Property on Customers Prem. | - | - | - | - | - | - | - | - | - |
| 387 | Other Equipment | (209,454) | (42,324) | - | - | - | - | - | - | (251,778) |
| | TOTAL DISTRIBUTION PLANT | (43,997,097) | (3,721,198) | - | 253,843 | (5,086) | 185,712 | - | 24,711 | (47,259,115) |
| GENERAL PLANT | | | | | | | | | | |
| 390 | Structures and Improvements | (356,411) | (39,133) | - | - | - | - | - | - | (395,544) |
| 3910 | Office Furniture | (62,701) | (12,565) | - | - | - | - | - | - | (75,266) |
| 3911 | Computers & Peripherals | - | - | - | - | - | - | - | - | - |
| 3912 | Office Equipment | (162,603) | (73,960) | - | - | - | - | - | - | (236,563) |
| 3913 | EDP Equipment | (54,860) | (5,611) | - | - | - | - | - | - | (60,471) |
| 3914 | Software | (384,760) | (62,792) | - | - | - | - | - | - | (447,552) |
| 3921 | Accum. Dep. - Transportation - Cars | (44,482) | (13,972) | - | 14,551 | - | - | - | 9,003 | (34,900) |
| 3922 | Accum. Dep. - Trans. - Light Trucks, vans | (1,522,010) | (327,916) | - | 247,410 | (46,022) | - | - | (94,779) | (1,743,316) |
| 3923 | Accum. Dep. - Trans. - Heavy Trucks | - | - | - | - | - | - | - | - | - |
| 3924 | Accum. Dep. - Transportation - Trailers | (45,754) | (3,079) | - | - | - | - | - | - | (48,834) |
| 393 | Stores Equipment | (10,474) | (672) | - | - | - | - | - | - | (11,146) |

**Annual Status Report
Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division
For the Year Ended December 31, 2013

Page 2 of 2

| Acct. No. | Account Description | Beginning Balance* | Accruals | Reclass. | Retirements | Gross Salvage | Cost of Removal | Adjustments | Transfers | Ending Balance* |
|---|-----------------------------------|---------------------|--------------------|----------|----------------|-----------------|-----------------|-------------|-----------------|---------------------|
| (Continued) | | | | | | | | | | |
| 394 | Tools, Shop, and Garage Equipment | (264,834) | (31,765) | - | - | - | - | - | - | (296,599) |
| 395 | Laboratory Equipment | - | - | - | - | - | - | - | - | - |
| 396 | Power Operated Equipment | (235,080) | (35,967) | - | - | - | - | - | - | (271,047) |
| 397 | Communication Equipment | (128,835) | (26,294) | - | - | - | - | - | - | (155,129) |
| 398 | Miscellaneous Equipment | (62,294) | (11,800) | - | - | - | - | - | - | (74,094) |
| | SUBTOTAL | (3,335,097) | (645,526) | - | 261,961 | (46,022) | - | - | (85,776) | (3,850,460) |
| 399 | Other Tangible Property | - | - | - | - | - | - | - | - | - |
| 376G | Mains Plastic-GRIP | - | (58,063) | - | - | - | 71,723 | - | (11,170) | 2,490 |
| 380G | Services Plastic-GRIP | - | (33,068) | - | - | - | 137,127 | - | - | 104,059 |
| | TOTAL GENERAL PLANT | (3,335,097) | (736,657) | - | 261,961 | (46,022) | 208,850 | - | (96,946) | (3,743,911) |
| | TOTAL DISTRIBUTION PLANT | (43,997,097) | (3,721,198) | - | 253,843 | (5,086) | 185,712 | - | 24,711 | (47,259,115) |
| | TOTAL GAS PLANT IN SERVICE | (47,332,195) | (4,457,855) | - | 515,804 | (51,108) | 394,562 | - | (72,235) | (51,003,026) |
| Capital Recovery Schedules: | | | | | | | | | | |
| NONE | | | | | | | | | | |
| | Subtotal | (47,332,195) | (4,457,855) | - | 515,804 | (51,108) | 394,562 | - | (72,235) | (51,003,026) |
| List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8. | | | | | | | | | | |
| 1089 | RWIP | 14,290 | - | - | 4,619 | - | - | - | - | 18,909 |
| 1040 | Leased Plant | - | - | - | - | - | - | - | - | - |
| | Subtotal | 14,290 | - | - | 4,619 | - | - | - | - | 18,909 |
| | Grand Total | (47,317,905) | (4,457,855) | - | 520,424 | (51,108) | 394,562 | - | (72,235) | (50,984,117) |

Note: * The grand total of beginning and ending balances must agree to Line 17, Page 12.
* The grand total balances on pages 13.2-16.2 are Florida Public Utilities Company Natural Gas Division only

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than \$500,000) may be grouped.

| Line No. | Description of Project (a) | Construction Work in Progress-Gas (Account 107) (b) | Estimated Additional Cost of Project (c) |
|----------|-------------------------------|---|---|
| 1 | ECIS | \$ 1,985,925 | Unknown |
| 2 | Okeechobee | \$ 1,728,100 | |
| 3 | Various | \$ 599,537 | |
| 4 | AM / FM software | \$ 558,945 | |
| 5 | Various GRIP | \$ 818,984 | |
| 6 | MR SR7 S of Palmetto Pk Rd | \$ 221,078 | |
| 7 | Sanford Est Gate Replacement | \$ 186,856 | |
| 8 | City of Lantana Expansion | \$ 174,432 | |
| 9 | | \$ - | |
| 10 | | \$ - | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | TOTAL | \$ 6,273,857 | |

CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed
and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.
3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

| Line No. | Description of Overhead (a) | Total Amount Charged for the Year (b) | Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c) |
|----------|---|--|---|
| 1 | Administrative & General Salaries Capitalized | \$ 613,358 | \$ - |
| 2 | Administrative & General Expenses Capitalized | \$ 146,759 | \$ - |
| 3 | Benefits Capitalized | \$ 54,634 | \$ - |
| 4 | Payroll Taxes Capitalized | \$ 596,893 | \$ - |
| 5 | Total Cost of Construction- Overhead Charges | \$ - | \$ 20,897,284 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | TOTAL | \$ 1,411,645 | \$ 20,897,284 |

PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

| Line No. | Nature of Prepayment (a) | Balance at End of Year (In Dollars) (b) |
|----------|--|--|
| 1 | Prepaid Insurance | \$ 243,180 |
| 2 | Prepaid Rents | \$ 34,439 |
| 3 | Prepaid Taxes | \$ - |
| 4 | Prepaid Interest | \$ - |
| 5 | Gas Prepayments | \$ - |
| 6 | Miscellaneous Prepayments: Membership dues, software maintenance, office security deposit, odorant | \$ 318,748 |
| 7 | | |
| 8 | TOTAL | \$ 596,367 |

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

| Line No. | Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a) | Total Amount of Loss (b) | Losses Recognized During Year (c) | WRITTEN OFF DURING YEAR | | Balance at End of Year (f) |
|----------|--|-----------------------------|--------------------------------------|-------------------------|---------------|-------------------------------|
| | | | | Account Charged (d) | Amount (e) | |
| 1 | None | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

| Line No. | Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a) | Total Amount of Charges (b) | Costs Recognized During Year (c) | WRITTEN OFF DURING YEAR | | Balance at End of Year (f) |
|----------|--|--------------------------------|-------------------------------------|-------------------------|---------------|-------------------------------|
| | | | | Account Charged (d) | Amount (e) | |
| 1 | None | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |

Dec. 31, 2013

OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than \$25,000) may be grouped by classes.

| Line No. | Description and Purpose of Other Regulatory Assets (a) | Balance Beginning of Year (b) | Debits (c) | Credits | | Balance End of Year (f) |
|----------|--|-------------------------------|-----------------|---------------------|-----------------------|-------------------------|
| | | | | Account Charged (d) | Amounts (e) | |
| 1 | Environmental | \$ 5,254,714 | \$ - | 405 | \$ (456,348) | \$ 4,798,366 |
| 2 | Merger Costs | \$ 1,035,425 | \$ - | 407.3 | \$ (564,768) | \$ 470,657 |
| 3 | Pension | \$ 11,601,995 | \$ 1,613 | 926/228 | \$ (6,043,258) | \$ 5,560,351 |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | TOTAL | \$ 17,892,134 | \$ 1,613 | | \$ (7,064,374) | \$ 10,829,373 |

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

| Line No. | Description of Miscellaneous Deferred Debit (a) | Balance Beginning of Year (b) | Debits (c) | Account Charged (d) | Amount (e) | Balance End of Year (f) |
|----------|---|-------------------------------|------------|---------------------|--------------|-------------------------|
| 1 | Under-Recovery Conservation | \$ - | \$ 120,332 | 906 | \$ (115,000) | \$ 5,331 |
| 2 | Unamortized Piping & Conversion Costs | \$ 686,852 | \$ 739,121 | 405 | \$ (460,231) | \$ 965,742 |
| 3 | Unamortized Bridge Crossing Costs | \$ 10,698 | \$ 12,886 | 887 | \$ (23,584) | \$ - |
| 4 | Goodwill | \$ 224 | \$ - | | \$ - | \$ 224 |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | Misc. Work in Progress | | | | | |
| 18 | Deferred Regulatory Comm. Expenses | \$ 62,875 | \$ - | 928 | \$ (62,875) | \$ - |
| 19 | TOTAL | \$ 760,649 | | | | \$ 971,297 |

**SECURITIES ISSUED AND
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

- | | |
|--|--|
| <p>1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.</p> <p>2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.</p> | <p>and gains or losses relating to securities retired or refunded.</p> <p>3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.</p> <p>4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.</p> |
|--|--|

| | |
|--|--|
| | |
|--|--|

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

- | | |
|--|--|
| <p>1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with</p> | <p>General Instruction 17 of the Uniform Systems of Accounts</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.</p> |
|--|--|

| Line No. | Designation of Long-Term Debt (a) | Date Reacquired (b) | Principal of Debt Reacquired (c) | Net Gain or Net Loss (d) | Balance at Beginning of Year (e) | Balance at End of Year (f) |
|----------|--------------------------------------|------------------------|-------------------------------------|-----------------------------|-------------------------------------|-------------------------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated

companies from which advances were received.
3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

| Line No. | Class and Series of Obligation (a) | Nominal Date of Issue (b) | Date of Maturity (c) | Original Amount Issued (d) | Interest for Year | | Total Amount Outstanding (g) |
|----------|---------------------------------------|------------------------------|-------------------------|-------------------------------|--------------------|---------------------|---------------------------------|
| | | | | | Rate (in %) (e) | Amount (f) | |
| 1 | Convertible Debentures - 8.25% | 2/15/1989 | 3/1/2014 | \$ 5,000,000 | 8.25% | \$ 66,172 | \$ 646,000 |
| 2 | Unamortized Issuance Costs (DRP) | | | | | | |
| 3 | Senior Note 4 - 7.83% | 2/29/2000 | 1/1/2015 | \$ 20,000,000 | 7.83% | \$ 313,200 | \$ 2,000,000 |
| 4 | Senior Note 5 - 6.64% | 10/31/2002 | 10/31/2017 | \$ 30,000,000 | 6.64% | \$ 875,273 | \$ 10,909,091 |
| 5 | Senior Note 6 - 5.5% | 12/12/2006 | 10/12/2020 | \$ 20,000,000 | 5.50% | \$ 852,500 | \$ 14,000,000 |
| 6 | Senior Note 7 - 5.93% | 10/31/2008 | 10/31/2023 | \$ 30,000,000 | 5.93% | \$ 1,779,000 | \$ 30,000,000 |
| 7 | Senior Note 8 - 5.68% | 6/24/2011 | 6/30/2026 | \$ 29,000,000 | 5.68% | \$ 1,647,200 | \$ 29,000,000 |
| 8 | Senior Note 9 - 6.43% | | | | | \$ 300,067 | \$ 7,000,000 |
| 9 | Senior Note 10 - 3.73% | | | | | \$ 31,083 | \$ 20,000,000 |
| 10 | Senior Note 11 - 3.88% | | | | | \$ - | \$ - |
| 11 | Promissory Note | 2/1/2010 | 3/1/2015 | \$ 310,000 | 0.00% | \$ - | \$ 65,000 |
| 12 | Flo-Gas Notes Payable | | | | | \$ - | \$ 380,000 |
| 13 | FPU Bond - 9.57% | 5/1/1988 | 5/1/2018 | \$ 10,000,000 | 9.57% | \$ 192,142 | \$ - |
| 14 | FPU Bond - 10.03% | 5/1/1988 | 5/1/2018 | \$ 5,500,000 | 10.03% | \$ 110,748 | \$ - |
| 15 | FPU Bond - 9.08% | 6/1/1992 | 6/1/2022 | \$ 8,000,000 | 9.08% | \$ 726,400 | \$ 8,000,000 |
| 16 | Subtotal | | | \$ 157,810,000 | | \$ 6,893,785 | \$ 122,000,091 |
| 17 | Less Current Maturities | | | | | | \$ (10,504,106) |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | Allocation to Florida Division | | | | | \$ 1,074,144 | |
| 21 | Allocation to Other Jurisdictions | | | | | \$ 5,819,641 | |
| 22 | Total Chesapeake Utilities Corp. | | | | | \$ 6,893,785 | |
| 23 | | | | | | | |
| 24 | TOTAL | | | \$ 157,810,000 | | \$ 6,893,785 | \$ 111,495,985 |

Note: Schedule lists total long term debt for Chesapeake Utilities Corporation. Line number 16 indicates the amount that is allocated to the Florida Division.

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.
6. Identify separately indispensed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

| Line No. | Designation of Long-Term Debt (a) | Principal Amount of Debt issued (b) | Total Expense Premium or Discount (c) | Amortization Period | | Balance at beginning of Year (f) | Debits (Credits) During Year (g) | Balance at End of Year (h) |
|----------|--|--|--|---------------------|----------------|-------------------------------------|-------------------------------------|-------------------------------|
| | | | | Date From (d) | Date To (e) | | | |
| 1 | Convertible Debentures - 8.25% | \$5,000,000 | \$106,808 | 2/15/1989 | 3/1/2014 | \$ 3,373 | \$ (2,923) | \$ 450 |
| 2 | Unamortized Issuance Costs (DRP) | | \$119,274 | | | \$33,915 | \$ (6,464) | \$ 27,451 |
| 3 | Senior Note 4 - 7.83% | \$20,000,000 | \$114,957 | 2/29/2000 | 1/1/2015 | \$ 3,728 | \$ (2,486) | \$ 1,242 |
| 4 | Senior Note 5 - 6.64% | \$30,000,000 | \$141,831 | 10/31/2002 | 10/31/2017 | \$18,267 | \$ (6,232) | \$ 12,035 |
| 5 | Senior Note 6 - 5.5% | \$20,000,000 | \$79,566 | 12/12/2006 | 10/12/2020 | \$28,477 | \$ (6,491) | \$ 21,986 |
| 6 | Senior Note 7 - 5.93% | \$30,000,000 | \$39,518 | 10/31/2008 | 10/31/2023 | \$23,711 | \$ (3,794) | \$ 19,917 |
| 7 | Senior Note 8 - 5.68% | \$29,000,000 | \$34,794 | 6/24/2011 | 6/30/2026 | \$29,251 | \$ (3,695) | \$ 25,556 |
| 8 | Senior Note 9 - 6.43% | \$0 | | | | \$ | \$ 14,669 | \$ 14,669 |
| 9 | Senior Note 10 - 3.73% | \$0 | | | | \$ | \$ 66,876 | \$ 66,876 |
| 10 | Senior Note 11 - 3.88% | \$0 | | | | \$ | \$ 167,190 | \$ 167,190 |
| 11 | Promissory Note | \$310,000 | | | | \$ - | \$ - | \$ - |
| 12 | Flo-Gas Notes Payable | \$0 | | | | \$ - | \$ - | \$ - |
| 13 | FPU Bond - 9.57% | \$10,000,000 | \$180,273 | | | \$11,147 | \$ (11,147) | \$ - |
| 14 | FPU Bond - 10.03% | \$5,500,000 | \$97,070 | | | \$ 6,000 | \$ (6,000) | \$ - |
| 15 | FPU Bond - 9.08% | \$8,000,000 | \$122,010 | | | \$38,297 | \$ (4,067) | \$ 34,230 |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | Allocation to Florida Public Utilities - Natural Gas | | | | | | \$ 4,814 | |
| 21 | Allocation to Other Jurisdictions | | | | | | \$ 190,622 | |
| 22 | | | | | | | \$ 195,436 | |
| 23 | | | | | | | | |
| 24 | | | | | | | | |
| 25 | | | | | | | | |

Note: Schedule lists total long-term debt for Chesapeake Utilities Corporation. Line number 20 indicates the amount that is allocated to the Florida Public Utilities - Natural Gas.

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.

2. Minor items (less than \$50,000) may be grouped under appropriate title.

| Line No. | Item | Balance at End of Year |
|----------|-----------------|------------------------|
| 1 | Accrued Payroll | \$ 325,384 |
| 2 | Accrued PTO | \$ 228,879 |
| 3 | Accrued Bonus | \$ 491,865 |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | TOTAL | \$ 1,046,129 |

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.

2. For any deferred credit being amortized, show the period of amortization.

3. Minor items (less than \$25,000) may be grouped by classes.

| Line No. | Description of Other Deferred Credit (a) | Balance Beginning of Year (b) | DEBITS | | Credits (e) | Balance End of Year (f) |
|----------|---|-------------------------------|--------------------|---------------------|---------------------|-------------------------|
| | | | Contra Account (c) | Amount (d) | | |
| 1 | Conservation Recovery | \$ 310,864 | 495/186 | \$ 498,732 | \$ 187,868 | \$ (0) |
| 2 | Environmental | \$ 10,518,380 | 232/182.3 | \$ 277,184 | \$ - | \$ 10,241,196 |
| 3 | Over Recovery - Fuel | \$ 218,252 | 495 | \$ 6,687,594 | \$ 7,414,076 | \$ 944,734 |
| 4 | Gas Reliability Infrastructure Program (GRIP) | \$ 243,740 | 495/421 | \$ 298,743 | \$ 477,368 | \$ 422,365 |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | \$ 11,291,236 | | \$ 7,762,253 | \$ 8,079,312 | \$ 11,608,295 |

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).

2. For regulatory liabilities being amortized, show period of amortization in column (a).

3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.

| Line No. | Description and Purpose of Other Regulatory Liabilities (a) | Balance Beginning of Year (b) | Debits | | Credits (d) | Balance End of Year (e) |
|----------|---|-------------------------------|--------------------|-------------------|-------------|-------------------------|
| | | | Contra Account (b) | Amount (c) | | |
| 1 | FPU OPRB Curtail Gain true up | \$ 1,082,923 | | \$ 327,390 | \$ - | \$ 755,533 |
| 2 | Regulatory Liability -Order No PSC-12-0574-PAA-PU | \$ 33,068.00 | 407.4 | \$ 355,740 | \$ - | \$ (322,672) |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | TOTAL | \$ 1,115,991 | | \$ 683,130 | \$ - | \$ 432,861 |

TAXES OTHER THAN INCOME TAXES (Account 408.1)

| | Name of Taxing Authority | Real Property | Tangible Personal Property | Intangible Personal Property | FICA, SUTA, FUTA | Gross Receipts | Regulatory Assessment Fees | Environmental, Excise | Franchise | Other* | Total |
|----|---|---------------|----------------------------|------------------------------|------------------|----------------|----------------------------|-----------------------|--------------|----------|--------------|
| 1 | Various Florida Counties | \$ 1,749,559 | | | | | | | \$ 1,230,818 | | \$ 2,980,377 |
| 2 | State of Florida | | | | | \$1,610,443 | | | | \$ - | \$ 1,610,443 |
| 3 | Payroll Taxes | | | | \$ 742,458 | | | | | | \$ 742,458 |
| 4 | Florida Public Service Commission | | | | | | \$ 333,952 | | | | \$ 333,952 |
| 5 | Business License / Excise | | | | | | | \$ 96 | | \$ 2,883 | \$ 2,980 |
| 6 | | | | | | | | | | | |
| 7 | | | | | | | | | | | |
| 8 | | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | | | | | | | | | | | |
| 13 | | | | | | | | | | | |
| 14 | | | | | | | | | | | |
| 15 | Less: Charged to Construction | | | | \$ (201,125) | | | | | | \$ (201,125) |
| 16 | TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1 | \$ 1,749,559 | \$ - | \$ - | \$ 541,333 | \$1,610,443 | \$ 333,952 | \$ 96 | \$ 1,230,818 | \$ 2,883 | \$ 5,469,086 |

Note: *List separately each item in excess of \$500.

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

| Line No. | Account Subdivisions (a) | Balance Beginning of Year (b) | Amount Deferred for Year (c) | Allocations to Current Year's Income | | Adjustments (f) | Balance End of Year (g) | Average Period of Allocation to Income (h) |
|----------|--------------------------|-------------------------------|------------------------------|--------------------------------------|------------|-----------------|-------------------------|--|
| | | | | Acct. No. (d) | Amount (e) | | | |
| 1 | Gas Utility | | | | | | | |
| 2 | 3% | | | | | | | 35 Years |
| 3 | 4% | | | | | | | 35 Years |
| 4 | 7% | \$ 6,375 | | 411.4 | \$ 3,199 | | \$ 3,175 | 35 Years |
| 5 | 10% | \$ 16,743 | | 411.4 | \$ 9,951 | | \$ 6,792 | 35 Years |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | TOTAL | \$ 23,117 | | | \$ 13,151 | | \$ 9,967 | |

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.

2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

| Line No. | | Balance at Beginning of Year | Changes During Year | | | | Adjustments | | | | Balance at End of Year |
|----------|--|------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------|--------|-------------|--------|------------------------|
| | | | Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Debits | | Credits | | |
| | | | | | | | Account No. | Amount | Account No. | Amount | |
| 1 | GAS | | | | | | | | | | |
| 2 | Fed NOL | \$ - | | \$ 51,670 | | | | | | | \$ 51,670 |
| 3 | Bad Debts | \$ 43,545 | | \$ 37,546 | | | | | | | \$ 81,091 |
| 4 | Conservation | \$ 119,916 | \$ 121,973 | \$ - | | | | 283 | \$ 2,057 | | \$ - |
| 5 | Environmental | \$ 2,030,459 | | \$ 69,113 | | | | | | | \$ 2,099,572 |
| 6 | GRIP | \$ - | | \$ 162,927 | | | | | | | \$ 162,927 |
| 7 | Misc Reserve | \$ - | | \$ - | | | | | | | \$ - |
| 8 | State Decoupling | \$ 582,918 | | \$ 134,980 | | | | | | | \$ 717,898 |
| 9 | Storm Reserve | \$ 313,207 | | \$ 2,315 | | | | | | | \$ 315,522 |
| 10 | Amortization | \$ 38,021 | \$ 138,746 | \$ 184,545 | | | | | | | \$ 83,820 |
| 11 | Merger Cost Amortization | \$ - | | \$ - | | | | | | | \$ - |
| 12 | Reg Assets/Liability | \$ 152,690 | | \$ (137,226) | | | | | | | \$ 15,464 |
| 13 | Pipe/Conv Propl LT | \$ 68,164 | | \$ 58,980 | | | | | | | \$ 127,144 |
| 14 | Long-term Bonus | \$ 86,387 | \$ 74,430 | \$ 105,484 | | | | | | | \$ 117,441 |
| 15 | Pension | \$ - | | \$ 181,304 | | | | | | | \$ 181,304 |
| 16 | OPRB | \$ - | | \$ 372,326 | | | | | | | \$ 372,326 |
| 17 | Self Insurance | \$ - | | \$ - | | | | | | | \$ - |
| 18 | TOTAL Gas (Lines 2 - 10) | \$ 3,435,308 | \$ 335,149 | \$ 1,223,964 | \$ - | \$ - | | | \$ 2,057 | | \$ 4,326,179 |
| 19 | Other (Specify) | \$ - | | \$ - | | | | | | | \$ - |
| 20 | TOTAL (Account 190) (Total of lines 11 and 12) | \$ 3,435,308 | \$ 335,149 | \$ 1,223,964 | \$ - | \$ - | | | \$ 2,057 | | \$ 4,326,179 |

Notes

Account 282

As we integrated accounting systems we further refined which GL accounts and divisions have DIT balances. This resulted in top-level balance sheet reclasses in 2010, 2011, and 2012.

Account 254

Tax gross-up of a regulatory liability for a one-time tax contingency gain related to FPU's income tax liability, which originated prior to the acquisition by Chesapeake from excess tax depreciation on vehicles. Docket # 120189-PU

ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)

| Line No. | | Balance at Beginning of Year | Changes During Year | | | | Adjustments | | | | Balance at End of Year |
|----------|---|------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------|---------|-------------|--------|------------------------|
| | | | Amounts Debited to Account 410.1 | Amounts Credited to Account 411.1 | Amounts Debited to Account 410.2 | Amounts Credited to Account 411.2 | Debits | | Credits | | |
| | | | | | | | Account No. | Amount | Account No. | Amount | |
| 1 | Account 281 - Accelerated Amortization Property | | | | | | | | | | |
| 2 | Electric | | | | | | | | | | |
| 3 | Gas | | | | | | | | | | |
| 4 | Other | | | | | | | | | | |
| 5 | TOTAL Account 281 (Lines 2 thru 4) | | | | | | | | | | |
| 6 | Account 282 - Other Property | | | | | | | | | | |
| 7 | Electric | | | | | | | | | | |
| 8 | Gas | \$ 18,534,380 | \$ 3,535,124 | \$ 217,116 | \$ 152,250 | \$ 1,794 | | Various | | | \$ 22,002,844 |
| 9 | Other | | | | | | | | | | |
| 10 | TOTAL Account 282 (Lines 7 thru 9) | \$ 18,534,380 | \$ 3,535,124 | \$ 217,116 | \$ 152,250 | \$ 1,794 | | - | | - | \$ 22,002,844 |
| 11 | Account 283 - Other | | | | | | | | | | |
| 12 | Electric | | | | | | | | | | |
| 13 | Gas | \$ 17,781,764 | \$ 1,180 | \$ 797,209 | | 190 | 2,057 | | | - | \$ 16,987,792 |
| 14 | Other | | | | | | | | | | |
| 15 | TOTAL Account 283 - Other (Lines 12 thru 14) | \$ 17,781,764 | \$ 1,180 | \$ 797,209 | \$ - | \$ - | 2,057 | | | - | \$ 16,987,792 |
| 16 | GAS | | | | | | | | | | |
| 17 | Federal Income Tax | | | | | | | | | | |
| 18 | State Income Tax | | | | | | | | | | |
| 19 | | | | | | | | | | | |
| 20 | TOTAL Gas (Lines 17 thru 19) | | | | | | | | | | |
| 21 | OTHER | | | | | | | | | | |
| 22 | Federal Income Tax | | | | | | | | | | |
| 23 | State Income Tax | | | | | | | | | | |
| 24 | TOTAL Other (Lines 22 and 23) | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | \$ - |
| 25 | TOTAL (Total of lines 5, 10 and 15) | \$ 36,316,144 | \$ 3,536,304 | \$ 1,014,325 | \$ 152,250 | \$ 1,794 | | 2,057 | | - | \$ 38,990,636 |

Notes

Account 282 - Debits

As we integrated accounting systems we further refined which GL accounts and divisions have DIT balances. This resulted in top-level balance sheet reclasses in 2010, 2011, and 2012.

Account Various - Credits

Deferred tax gain reclassified to Florida Public Utilities - Natural Gas and other affiliates

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

| Line No. | Particulars (Details) (a) | Amount (b) |
|----------|--|----------------|
| 1 | Net Income for the Year (Page 9) | \$ 5,639,994 |
| 2 | Reconciling Items for the Year | |
| 3 | | |
| 4 | Taxable Income Not Reported on Books | |
| 5 | Asset Gain (Loss) | \$ 4,650 |
| 6 | Deductions Recorded on Books Not Deducted for Return | |
| 7 | Current Federal Income Taxes | \$ 1,469,223 |
| 8 | Deferred Income Taxes | \$ 1,783,620 |
| 9 | Storm Reserve | \$ 6,000 |
| 10 | Customers Intangibles | \$ 478,405 |
| 11 | Lobbying Expenses | \$ 125 |
| 12 | Rate Case Expenses | \$ 62,875 |
| 13 | Meals | \$ 71,715 |
| 14 | Acquisition Adjustment | \$ 1,789,892 |
| 15 | Merger Expenses | \$ 430,822 |
| 16 | Conservation Program Costs | \$ (316,195) |
| 17 | Short-term Bonus (IPP) | \$ 273,451 |
| 18 | Piping/Conversion | \$ 152,898 |
| 19 | Gas Reliability Infrastructure Program (GRIP) | \$ 422,365 |
| 20 | Pension | \$ 470,003 |
| 21 | Post-retirement Benefits | \$ 985,199 |
| 22 | Merger cost amortization | \$ 133,946 |
| 23 | Taxable Service Contributions (CIAC) | \$ 582,841 |
| 24 | Income Recorded on Books Not Included in Return | |
| 25 | Amortization of Regulatory Liability | \$ (355,740) |
| 26 | Deductions on Return Not Charged Against Book Income | |
| 27 | Insurance losses | \$ (3,058) |
| 28 | Environmental Costs | \$ 179,164 |
| 29 | Write-offs of Bad Debt | \$ 97,333 |
| 30 | Amortization of Tax Deductible Goodwill - Atlantic Acquisition | \$ (359,678) |
| 31 | Excess of allowable depreciaiton over that charged to depreciation and other book expenses | \$ (9,164,287) |
| 32 | ITC Amortization | \$ (13,151) |
| 33 | Removal cost | \$ (394,686) |
| 34 | Federal Tax Net Income | \$ 4,387,526 |
| 35 | Show Computation of Tax: | |
| 36 | Tax at 35% | \$ 1,535,634 |
| 37 | Add: Reversal of Prior Year Bennefit of Federal Consolidated NOL carryforward | |
| 38 | Interest adjustment | |
| 39 | Prior year Federal income tax true up | \$ (66,411) |
| 40 | Total Federal Income Tax Payable | \$ 1,469,223 |

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

| Line No. | Title of Account (a) | Operating Revenues | | Therms of Natural Gas Sold | | Avg. No. of Natural Gas Customers Per Mo. | |
|----------|---|---------------------|------------------------------|----------------------------|-------------------|---|-------------------|
| | | Amount for Year (b) | Amount for Previous Year (c) | Current Year (d) | Previous Year (e) | Current Year (f) | Previous Year (g) |
| 1 | Gas Service Revenues | | | | | | |
| 2 | Firm Sales Service | | | | | | |
| 3 | 480 Residential Sales | \$ 21,906,739 | \$ 20,002,729 | 11,967,185 | 12,050,456 | 48,698 | 47,922 |
| 4 | 481 Comm & Industrial Sales - Small | \$ 10,738,098 | \$ 8,896,452 | 8,780,200 | 8,212,468 | 3,410 | 3,262 |
| 5 | 481 Comm & Industrial Sales - Large | \$ 20,947,105 | \$ 18,278,276 | 18,447,016 | 19,523,361 | 1,095 | 1,196 |
| 6 | 481 Outdoor Lighting | \$ 275,270 | \$ 246,951 | 210,319 | 237,101 | 43 | 44 |
| 7 | 481 | | | | | | |
| 8 | 481 | | | | | | |
| 9 | Interruptible Sales Service | | | | | | |
| 10 | 481 Comm & Ind Sales - Interruptible | \$ - | \$ - | - | - | - | - |
| 11 | 481 | | | | | | |
| 12 | Firm Transportation Service | | | | | | |
| 13 | 489 Comm & Gen Service- -Firm Transportator | \$ 8,974,279 | \$ 8,337,281 | 22,968,683 | 20,095,416 | 931 | 818 |
| 14 | 489 | \$ - | \$ - | - | - | - | - |
| 15 | 489 | \$ - | \$ - | - | - | - | - |
| 16 | Interruptible Transportation Serv. | | | | | | |
| 17 | 489 Comm & Gen Service- -Firm Transportator | \$ 1,675,567 | \$ 1,472,911 | 6,198,368 | 5,577,114 | 14 | 13 |
| 18 | 484 Interdepartmental | \$ 9,566 | \$ 10,354 | - | 10,813 | - | - |
| 19 | 482 Other Sales to Public Authorities | \$ - | \$ - | - | - | - | - |
| 20 | 484 Flex Rate - Refund | \$ - | \$ - | - | - | - | - |
| 21 | TOTAL Sales to Ultimate Consumers | \$ 64,526,824 | \$ 57,244,954 | 68,571,771 | 65,706,730 | 54,191 | 53,255 |
| 22 | 483 Sales for Resale | \$ - | \$ - | - | - | - | - |
| 23 | Off-System Sales 4954x & 4955x | \$ - | \$ - | - | - | - | - |
| 24 | TOTAL Nat. Gas Service Revenues | \$ - | \$ - | | | | |
| 25 | TOTAL Gas Service Revenues | \$ 64,526,824 | \$ 57,244,954 | | | | |
| 26 | Other Operating Revenues | | | | | | |
| 27 | 485 Intracompany Transfers | \$ - | \$ - | | | | |
| 28 | 487 Forfeited Discounts | \$ 820,462 | \$ 798,825 | | | | |
| 29 | 488 Misc. Service Revenues | \$ 763,016 | \$ 609,812 | | | | |
| 30 | 489 Rev. from Trans. of Gas of Others | \$ - | \$ - | | | | |
| 31 | not included in above rate schedules) | \$ - | \$ - | | | | |
| 32 | 493 Rent from Gas Property | \$ - | \$ - | | | | |
| 33 | 494 Interdepartmental Rents | \$ - | \$ - | | | | |
| 34 | 495 Other Gas Revenues | | | | | | |
| 35 | Initial Connection | \$ - | \$ - | | | | |
| 36 | Overrecoveries Conservation 495.7 | \$ - | \$ - | | | | |
| 37 | AEP & Storm Surcharge 4956 | \$ 89,374 | \$ 246,724 | | | | |
| 38 | Unbilled Revenue 495.3 | \$ (151,880) | \$ 691,396 | | | | |
| 39 | Other 495.2 | \$ 486,579 | \$ 457,847 | | | | |
| 40 | 495.1 Overrecoveries Purchased Gas | \$ (1,597,321) | \$ 1,401,534 | | | | |
| 41 | TOTAL Other Operating Revenues | \$ 410,231 | \$ 4,206,138 | | | | |
| 42 | TOTAL Gas Operating Revenues | \$ 64,526,824 | \$ 57,244,954 | | | | |
| 43 | (Less) 496 Provision for Rate Refunds | \$ - | \$ - | | | | |
| 44 | TOTAL Gas Operating Revenues | \$ 64,936,856 | \$ 61,451,092 | | | | |
| | Net of Provision for Refunds | \$ - | \$ - | | | | |
| 45 | Sales for Resale | \$ - | \$ - | | | | |
| 46 | Other Sales to Public Authority | \$ - | \$ - | | | | |
| 47 | Interdepartmental Sales | \$ - | \$ - | | | | |
| 48 | TOTAL | \$ 64,936,856 | \$ 61,451,092 | 68,571,771 | 65,706,730 | | |

Notes

Dec. 31, 2013

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

| Line No. | Account | Amount for Current Year | Amount for Previous Year |
|----------|--|-------------------------|--------------------------|
| 1 | 1. Production Expenses | | |
| 2 | A. TOTAL Manufactured Gas Production (Total of Accounts 700-742) | | |
| 3 | B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769) | | |
| 4 | C. TOTAL Products Extraction (Total of Accounts 770 through 791) | | |
| 5 | D. TOTAL Exploration and Development (Total of Accts. 795 through 798) | | |
| 6 | E. Other Gas Supply Expenses | | |
| 7 | Operation | | |
| 8 | 800 Natural Gas Well Head Purchases | | |
| 9 | 800.1 Natural Gas Well Head Purchases, Intracompany Transfers | | |
| 10 | 801 Natural Gas Field Line Purchases | \$ 7,866,224 | \$ 11,207,744 |
| 11 | 802 Natural Gas Gasoline Plant Outlet Purchases | | |
| 12 | 803 Natural Gas Transmission Line Purchases | | |
| 13 | 804 Natural Gas City Gate Purchases | \$ 13,610,884 | \$ 6,957,578 |
| 14 | 804.1 Liquefied Natural Gas Purchases | | |
| 15 | 805 Other Gas Purchases | | |
| 16 | 805.1 Purchased Gas Cost Adjustments - Debit/(Credit) | | |
| 17 | TOTAL Purchased Gas (Total of Lines 8 to 16) | \$ 21,477,108 | \$ 18,165,322 |
| 18 | 806 Exchange Gas | | |
| 19 | Purchased Gas Expenses | | |
| 20 | 807.1 Well Expenses—Purchased Gas | | |
| 21 | 807.2 Operation of Purchased Gas Measuring Stations | | |
| 22 | 807.3 Maintenance of Purchased Gas Measuring Stations | | |
| 23 | 807.4 Purchased Gas Calculations Expenses | | |
| 24 | 807.5 Other Purchased Gas Expenses | \$ 465 | \$ 1,358 |
| 25 | TOTAL Purchased Gas Expenses (Total of lines 20 through 24) | \$ 465 | \$ 1,358 |
| 26 | 808.1 Gas Withdrawn from Storage—Debit | | |
| 27 | (Less) 808.2 Gas Delivered to Storage—Credit | | |
| 28 | 809.1 Withdrawals of Liquefied Natural Gas for Processing—Debit | | |
| 29 | (Less) 809.2 Deliveries of Natural Gas for Processing—Credit | | |
| 30 | Gas Used in Utility Operations—Credit | | |
| 31 | 810 Gas Used for Compressor Station Fuel—Credit | | |
| 32 | 811 Gas Used for Products Extraction—Credit | | |
| 33 | 812 Gas Used for Other Utility Operations—Credit | | |
| 34 | TOTAL Gas Used in Utility Operations—Credit (Lines 31 through 33) | \$ - | \$ - |
| 35 | 813 Other Gas Supply Expenses | \$ - | \$ - |
| 36 | TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35) | \$ 21,477,573 | \$ 18,166,680 |
| 37 | TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36) | \$ 21,477,573 | \$ 18,166,680 |
| 38 | 2. Natural Gas Storage, Terminating and Processing Expenses | | |
| 39 | A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837) | \$ 3,293 | \$ 2,651 |
| 40 | B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9) | | |
| 41 | C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8) | | |
| 42 | TOTAL Natural Gas Storage (Total of lines 39, 40, and 41) | \$ 3,293 | \$ 2,651 |
| 43 | 3. Transmission Expenses | | |
| 44 | TOTAL Transmission Expenses (Total of Accounts 850 through 867) | | |
| 45 | | | |
| 46 | | | |

Dec. 31, 2013

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

| Line No. | Account | Amount for Current Year | Amount for Previous Year |
|----------|--|-------------------------|--------------------------|
| 47 | 4. Distribution Expenses | | |
| 48 | Operation | | |
| 49 | 870 Operation Supervision and Engineering | \$ 491,771 | \$ 703,920 |
| 50 | 871 Distribution Load Dispatching | \$ 19,509 | \$ 15,012 |
| 51 | 872 Compressor Station Labor and Expenses | | |
| 52 | 873 Compressor Station Fuel and Power | | |
| 53 | 874 Mains and Services Expenses | \$ 1,363,785 | \$ 1,341,344 |
| 54 | 875 Measuring and Regulating Station Expenses—General | \$ 19,185 | \$ 6,163 |
| 55 | 876 Measuring and Regulating Station Expenses—Industrial | \$ 25,595 | \$ 22,657 |
| 56 | 877 Measuring and Regulating Station Expenses—City Gate Check Station | \$ 88,696 | \$ 73,609 |
| 57 | 878 Meter and House Regulator Expenses | \$ 1,005,835 | \$ 1,064,975 |
| 58 | 879 Customer Installations Expenses | \$ 270,467 | \$ 106,255 |
| 59 | 880 Other Expenses | \$ 92,755 | \$ 234,299 |
| 60 | 881 Rents | \$ - | \$ - |
| 61 | TOTAL Operation (Total of lines 49 through 60) | \$ 3,377,600 | \$ 3,568,234 |
| 62 | Maintenance | | |
| 63 | 885 Maintenance Supervision and Engineering | \$ 41,284 | \$ 52,192 |
| 64 | 886 Maintenance of Structures and Improvements | \$ 16,917 | \$ 42,136 |
| 65 | 887 Maintenance of Mains | \$ 297,931 | \$ 298,069 |
| 66 | 888 Maintenance of Compressor Station Equipment | \$ 75 | \$ - |
| 67 | 889 Maintenance of Meas. and Reg. Sta. Equip.—General | \$ 5,804 | \$ 7,082 |
| 68 | 890 Maintenance of Meas. and Reg. Sta. Equip.—Industrial | \$ 2,746 | \$ 6,172 |
| 69 | 891 Maintenance of Meas. and Reg. Sta. Equip.—City Gate Check Station | \$ 61,673 | \$ 43,356 |
| 70 | 892 Maintenance of Services | \$ 196,691 | \$ 203,072 |
| 71 | 893 Maintenance of Meters and House Regulators | \$ 168,653 | \$ 196,773 |
| 72 | 894 Maintenance of Other Equipment | \$ 27,259 | \$ (569,561) |
| 73 | TOTAL Maintenance (Total of Lines 63 through 72) | \$ 819,032 | \$ 279,291 |
| 74 | TOTAL Distribution Expenses (Total of Lines 61 and 73) | \$ 4,196,632 | \$ 3,847,526 |
| 75 | 5. Customer Accounts Expenses | | |
| 76 | Operation | | |
| 77 | 901 Supervision | \$ 175,897 | \$ 176,667 |
| 78 | 902 Meter Reading Expenses | \$ 784,465 | \$ 751,982 |
| 79 | 903 Customer Records and Collection Expenses | \$ 1,754,019 | \$ 1,552,631 |
| 80 | 904 Uncollectible Accounts | \$ 326,750 | \$ 229,447 |
| 81 | 905 Miscellaneous Customer Accounts Expenses | \$ 13,878 | \$ 20,461 |
| 82 | TOTAL Customer Accounts Expenses (Total of Lines 77 through 81) | \$ 3,055,008 | \$ 2,731,189 |
| 83 | 6. Customer Service and Informational Expenses | | |
| 84 | Operation | | |
| 85 | 907 Supervision | \$ 51,629 | \$ 46,909 |
| 86 | 908 Customer Assistance Expenses | \$ 1,943,847 | \$ 1,579,803 |
| 87 | 909 Informational and Instructional Expenses | \$ 915,472 | \$ 1,022,374 |
| 88 | 910 Miscellaneous Customer Service and Informational Expenses | \$ (292,003) | \$ 900,220 |
| 89 | TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88) | \$ 2,618,945 | \$ 3,549,306 |
| 90 | 7. Sales Expenses | | |
| 91 | Operation | | |
| 92 | 911 Supervision | \$ 140,344 | \$ 198,880 |
| 93 | 912 Demonstrating and Selling Expenses | \$ 586,522 | \$ 666,737 |
| 94 | 913 Advertising Expenses | \$ 181,100 | \$ 251,808 |
| 95 | 916 Miscellaneous Sales Expenses | \$ - | \$ - |
| 96 | TOTAL Sales Expenses (Total of lines 92 through 95) | \$ 907,967 | \$ 1,117,424 |
| 97 | | | |

| Name of Respondent Natural Gas Division | | For the Year Ended Dec. 31, 2013 | |
|--|---|-------------------------------------|--------------------------|
| GAS OPERATION AND MAINTENANCE EXPENSES (Continued) | | | |
| Line No. | Account | Amount for Current Year | Amount for Previous Year |
| 98 | 8. Administrative and General Expenses | | |
| 99 | Operation | | |
| 100 | 920 Administrative and General Salaries | \$ 2,954,975 | \$ 2,593,542 |
| 101 | 921 Office Supplies and Expenses | \$ 1,757,166 | \$ 1,330,875 |
| 102 | (Less) (922) Administrative Expenses Transferred--Credit | | |
| 103 | 923 Outside Services Employed | \$ 1,331,293 | \$ 333,825 |
| 104 | 924 Property Insurance | \$ 64,006 | \$ 71,093 |
| 105 | 925 Injuries and Damages | \$ 713,061 | \$ 726,135 |
| 106 | 926 Employee Pensions and Benefits | \$ 1,877,318 | \$ 1,980,367 |
| 107 | 927 Franchise Requirements | \$ - | \$ - |
| 108 | 928 Regulatory Commission Expenses | \$ 62,875 | \$ 150,912 |
| 109 | (Less) (929) Duplicate Charges--Credit | | |
| 110 | 930.1 General Advertising Expenses | \$ 60,708 | \$ 1,548 |
| 111 | 930.2 Miscellaneous General Expenses | \$ 390,206 | \$ 386,120 |
| 112 | 931 Rents | \$ 287,427 | \$ 190,780 |
| 113 | TOTAL Operation (Total of lines 100 through 112) | \$ 9,499,035 | \$ 7,765,197 |
| 114 | Maintenance | | |
| 115 | 935 Maintenance of General Plant | \$ 148,866 | \$ 125,562 |
| 116 | TOTAL Administrative and General Expense (Total of lines 113 and 115) | \$ 9,647,901 | \$ 7,890,759 |
| 117 | | | |
| 118 | TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116) | \$ 41,907,318 | \$ 37,305,535 |
| 119 | | | |
| 120 | | | |

| NUMBER OF GAS DEPARTMENT EMPLOYEES | |
|------------------------------------|---|
| | 1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31. |
| | 2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote. |
| | 3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions. |
| 1 | |
| 2 | 1. Payroll Period Ended (Date) 10/31/2013 |
| 3 | 2. Total Regular Full-Time Employees 208 |
| 4 | 3. Total Part-Time and Temporary Employees 1 |
| 5 | 4. Total Employees 209 |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
| 13 | |

GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)

- | | |
|--|---|
| <p>1. Provide totals for the following accounts: 800 - Natural Gas Well Head Purchases 800.1- Natural Gas Well Head Purchases Intracompany Transfers 801 - Natural Gas Field Line Purchases 802 - Natural Gas Gasoline Plant Outlet Purchases 803 - Natural Gas Transmission Line Purchases 804 - Natural Gas City Gate Purchases 804.1- Liquefied Natural Gas Purchases 805 - Other Gas Purchases 805.1- Purchases Gas Cost Adjustments</p> | <p>The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote. 2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years. 3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b). 4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)</p> |
|--|---|

| Line No. | Account Title (a) | Gas Purchased- Therms (14.73 psia 60 F) (b) | Cost of Gas (In dollars) (c) | Average Cost Per Therm (To nearest .01 of a cent) (d) |
|----------|---|--|------------------------------------|--|
| 1 | 800 - Natural Gas Well Head Purchases | | | |
| 2 | 800.1 - Natural Gas Well Head Purchases, Intracompany Transfers | | | |
| 3 | 801 - Natural Gas Field Line Purchases | 32,208,808 | \$ 7,866,224 | \$ 24.42 |
| 4 | 802 - Natural Gas Gasoline Plant Outlet Purchases | | | |
| 5 | 803 - Natural Gas Transmission Line Purchases | | | |
| 6 | 804 - Natural Gas City Gate Purchases | 36,724,347 | \$ 13,610,884 | \$ 37.06 |
| 7 | 804.1 - Liquefied Natural Gas Purchases | | | |
| 8 | 805 - Other Gas Purchases | | | |
| 9 | 805.1 - Purchased Gas Cost Adjustments | | | |
| 10 | TOTAL (Total of lines 1 through 9) | 68,933,155 | \$ 21,477,108 | \$ 31.16 |

Notes to Gas Purchases

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

- | | |
|---|---|
| <p>1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply. 2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas. 3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.</p> | <p>4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e). 5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.</p> |
|---|---|

| Line No. | Purpose for Which Gas Was Used (a) | Account Charged (b) | Therms of Gas Used (c) | Natural Gas Amount of Credit (d) |
|----------|--|------------------------|---------------------------|-------------------------------------|
| 1 | 812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.) | | | |
| 2 | | | | |
| 3 | | | | |
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| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | TOTAL | | | |

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
 2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
 3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
 4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
 5. Minor items (less than \$25,000) may be grouped.

| Line No. | Description (Name of regulatory commission, the docket number, and a description of the case.) (a) | Total Expenses to Date (b) | Deferred in Account 186 Beginning of Year (c) | Expenses Incurred During Year | | Deferred to Account 186 (f) | Amortized During Year | | Deferred in Account 186 End of Year (i) |
|----------|--|-------------------------------|--|---|---------------|--------------------------------|-----------------------|---------------|--|
| | | | | Charged Currently to Account No. (d) | Amount (e) | | Contra Account (g) | Amount (h) | |
| 1 | All expenses incurred by the company | | | | | | | | |
| 2 | In its filings for Rate Relief for | | | | | | | | |
| 3 | Gas Docket Number 080366-GU | \$ 62,875 | \$ 62,875 | | | | 928 | \$ 62,875 | \$ - |
| 4 | | | | | | | | | |
| 5 | | | | | | | | | |
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| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | TOTAL | \$ 62,875 | \$ 62,875 | | \$ - | \$ - | | \$ 62,875 | \$ - |

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

| Line No. | Description (a) | Amount (b) |
|----------|--|---------------|
| 1 | Industry Association Dues | \$ 10,603 |
| 2 | Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other | |
| 3 | Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent. | \$ 59,367 |
| 4 | Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.) | |
| 5 | | |
| 6 | Directors Fees and Expenses | \$ 320,237 |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | TOTAL | \$ 390,206 |

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

| Line No. | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll Charged for Clearing Accounts (c) | Total (d) |
|----------|---|---------------------------------|---|--------------|
| 1 | Electric | | | |
| 2 | TOTAL Operation and Maintenance - Electric | | | \$ - |
| 3 | Gas | | | |
| 4 | Operation | | | |
| 5 | Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing | \$ 2,415 | | |
| 6 | Transmission | | | |
| 7 | Distribution | \$ 2,011,090 | | |
| 8 | Customer Accounts | \$ 1,209,419 | | |
| 9 | Customer Service and Informational | \$ 453,991 | | |
| 10 | Sales | \$ 575,127 | | |
| 11 | Administrative and General | \$ 1,290,852 | | |
| 12 | TOTAL Operation (Total of lines 5 through 11) | \$ 5,542,894 | | |
| 13 | Maintenance | | | |
| 14 | Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing | | | |
| 15 | Transmission | | | |
| 16 | Distribution | \$ 291,668 | | |
| 17 | Administrative and General | \$ - | | |
| 18 | TOTAL Maintenance (Total of lines 14 through 17) | \$ 291,668 | | |
| 19 | Total Operation and Maintenance | \$ 5,834,562 | | |
| 20 | Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminating & Processing | \$ 2,415 | | |
| 21 | Transmission (Enter Total of lines 6 and 15) | \$ - | | |
| 22 | Distribution (Total of lines 7 and 16) | \$ 2,302,758 | | |
| 23 | Customer Accounts (Transcribe from line 8) | \$ 1,209,419 | | |
| 24 | Customer Service and Informational (Transcribe from line 9) | \$ 453,991 | | |
| 25 | Sales (Transcribe from line 10) | \$ 575,127 | | |
| 26 | Administrative and General (Total of lines 11 and 17) | \$ 1,290,852 | | |
| 27 | TOTAL Operation and Maint. (Total of lines 20 through 26) | \$ 5,834,562 | \$ 1,808,795 | \$ 7,643,357 |
| 28 | Other Utility Departments | | | |
| 29 | Operation and Maintenance | | | |
| 30 | TOTAL All Utility Dept. (Total of lines 2, 27, and 29) | \$ 5,834,562 | \$ 1,808,795 | \$ 7,643,357 |
| 31 | Utility Plant | | | |
| 32 | Construction (By Utility Departments) | | | |
| 33 | Electric Plant | | | |
| 34 | Gas Plant | \$ 2,046,764 | | \$ 2,046,764 |
| 35 | Other | | | |
| 36 | TOTAL Construction (Total of lines 33 through 35) | \$ 2,046,764 | \$ - | \$ 2,046,764 |
| 37 | Plant Removal (By Utility Department) | | | |
| 38 | Electric Plant | | | |
| 39 | Gas Plant | \$ 98,990 | | \$ 98,990 |
| 40 | Other | | | |
| 41 | TOTAL Plant Removal (Total of lines 38 through 40) | \$ 98,990 | \$ - | \$ 98,990 |
| 42 | | | | |
| 43 | Other Accounts (Specify): | | | |
| 44 | Other/Employee Accounts Receivable | \$ 36,660 | | \$ 36,660 |
| 45 | Miscellaneous Deferred Debits | \$ 104,259 | | \$ 104,259 |
| 46 | | | | |
| 47 | | | | |
| 48 | | | | |
| 49 | | | | |
| 50 | | | | |
| 51 | | | | |
| 52 | | | | |
| 53 | TOTAL Other Accounts | \$ 140,919 | \$ - | \$ 140,919 |
| 54 | TOTAL SALARIES AND WAGES | \$ 8,121,236 | \$ 1,808,795 | \$ 9,930,031 |

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services,
(b) description of services received,
(c) basis of charges,
(d) total charges for the year, detailing account charged.

2. For any services which are of a continuing nature, give the date and term of contract.

3. Designate with an asterisk associated companies.

| | Description | Amount |
|----|--------------------------------------|--------------|
| 1 | HEATH CONSULTANTS INCORPORATED | \$ 637,470 |
| 2 | OTHER | \$ 525,038 |
| 3 | HIGH TECH ENGINEERING INC | \$ 409,985 |
| 4 | KUBRA DATA TRANSFER LTD | \$ 338,388 |
| 5 | RUTH ASSOCIATES INC | \$ 267,085 |
| 6 | BAKER & HOSTETLER LLP | \$ 205,802 |
| 7 | PARENTE BEARD LLC | \$ 193,032 |
| 8 | GEORGE M BACHMAN | \$ 127,764 |
| 9 | WARSCHAWSKI PUBLIC RELATIONS INC | \$ 127,101 |
| 10 | GUNSTER YOAKLEY & STEWART PA | \$ 84,323 |
| 11 | VERTEX BUSINESS SERVICES | \$ 86,773 |
| 12 | TERRI HARTWELL EASTER CONSULTING LLC | \$ 84,703 |
| 13 | SIEMENS INDUSTRY INC | \$ 58,645 |
| 14 | SPARKS RESEARCH | \$ 57,865 |
| 15 | AMERASSIST AR SOLUTIONS INC | \$ 47,558 |
| 16 | BP PROJECT | \$ 45,987 |
| 17 | JOHN SCHIMKAITIS | \$ 43,650 |
| 18 | CHARLES L STEIN | \$ 28,994 |
| 19 | HERBERT J MARTIN ESQ | \$ 29,172 |
| 20 | CROSSCOUNTRY CONSULTING LLC | \$ 26,523 |
| 21 | INFRASOURCE UNDERGROUND SERVICES LLC | \$ 8,379,701 |
| 22 | GAS SYSTEMS TECHNOLOGY | \$ 2,596,154 |
| 23 | MAGNOLIA RIVER SERVICES | \$ 1,467,587 |
| 24 | TB LANDMARK CONSTRUCTION | \$ 1,455,674 |
| 25 | HAMLET CONSTRUCTION | \$ 1,226,669 |
| 26 | ADVANCED ENGINEERING CORP | \$ 350,040 |
| 27 | INTELLE CHOICE ENERGY | \$ 87,100 |
| 28 | WANTMAN GROUP | \$ 75,739 |
| 29 | SUNSHINE SERVICES UNLIMITED INC | \$ 56,728 |
| 30 | GAS PLUMBING SERVICES | \$ 31,608 |
| 31 | FDG FLAGLER STATION II LLC | \$ 30,850 |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.

(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

| | Item | Amount |
|----|--|------------|
| 1 | Account 425: Miscellaneous Amortization | \$ - |
| 2 | | |
| 3 | Account 426: Miscellaneous Income Deductions | |
| 4 | 426.1 Charitable Contributions | \$ 19,800 |
| 5 | 426.2 Life Insurance | |
| 6 | 426.3 Penalties | \$ 135 |
| 7 | 426.4 Expenditures for Lobbying and Other Politically Related Activities | \$ 5,830 |
| 8 | 426.5 Other | \$ 21 |
| 9 | TOTAL MISCELLANEOUS INCOME DEDUCTIONS | \$ 25,885 |
| 10 | | |
| 11 | | |
| 12 | Account 430: Interest on Debt to Associated Company | \$ - |
| 13 | | |
| 14 | | |
| 15 | Account 431: Other Interest Expense | |
| 16 | 431.1 Interest on Customer Deposits | \$ 177,205 |
| 17 | 431.2 Interest on ST Debt | \$ 217,259 |
| 18 | 431.3 Interest on Miscellaneous | \$ 17 |
| 19 | TOTAL OTHER INTEREST EXPENSE | \$ 394,481 |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |

**Reconciliation of Gross Operating Revenues
 Annual Report versus Regulatory Assessment Fee Return**

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

| | (a) | (b) | (c) | (d) | (e) | (f) |
|----------|--|--------------------------------------|---|--|--|----------------------|
| Line No. | Description | Gross Operating Revenues per Page 26 | Interstate and Sales for Resale Adjustments | Adjusted Intrastate Gross Operating Revenues | Intrastate Gross Operating Revenues per RAF Return | Difference (d) - (e) |
| 1 | Total Sales to Ultimate Customers (480-482, 484) | \$ 53,876,779 | | \$ 53,876,779 | 53,876,779 | \$ - |
| 2 | Sales for Resale (483) | | | | | |
| 3 | Total Natural Gas Service Revenues | \$ 53,876,779 | | \$ 53,876,779 | 53,876,779 | \$ - |
| 4 | Total Other Operating Revenues (485-495) | \$ 11,060,077 | | \$ 11,060,077 | 11,060,077 | \$ - |
| 5 | Total Gas Operating Revenues | \$ 64,936,856 | | \$ 64,936,856 | 64,936,856 | \$ - |
| 6 | Provision for Rate Refunds (496) | | | | | |
| 7 | Other (Specify) | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | Total Gross Operating Revenues | \$ 64,936,856 | | \$ 64,936,856 | 64,936,856 | \$ - |

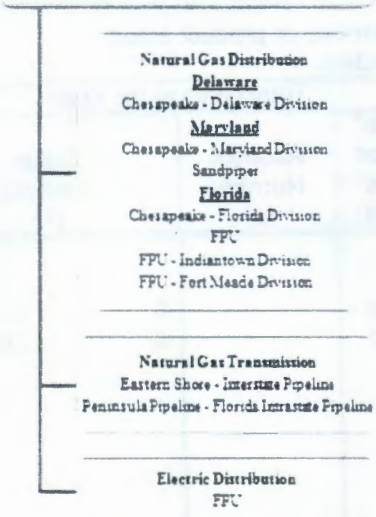
Notes:

CORPORATE STRUCTURE

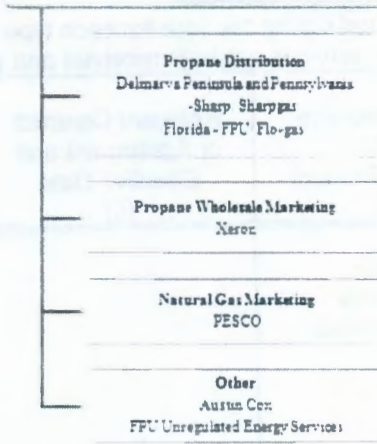
Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date: December 31, 2013

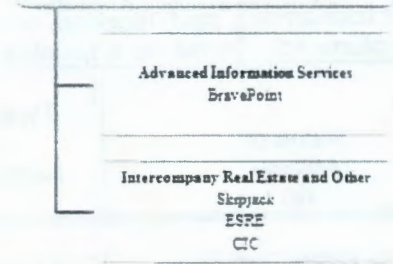
Regulated Energy



Unregulated Energy



Other



SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

| Name of Affiliate (a) | Type of Service and/or Name of Product (b) | Relevant Contract or Agreement and Effective Date (c) | Total Charge for Year | | |
|----------------------------------|---|--|-----------------------|-----------------------|----------------------|
| | | | "p" or "s" (d) | Account Number (e) | Dollar Amount (f) |
| Chesapeake Utilities Corporation | Parent Company: | | | | |
| | Corporate Services | | p | | \$ 2,359,063 |
| | Corporate Overheads | | p | | \$ 3,069,137 |

NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

| Name of Affiliate | Synopsis of Contract |
|----------------------------------|---|
| Peninsula Pipeline Company, Inc. | Firm Transportation Service Agreement between FPUC and Peninsula Pipeline Company (PPC) entered into Feb 2012 but beginning April 2012. The agreement is for 15 years and then an indefinite amount of 5 year extensions. The monthly payment is \$175,833 for a maximum of 7,500 Dths per day. <p style="text-align: right;">Nassau</p> |
| Peninsula Pipeline Company, Inc. | Firm Transportation Service Agreement between FPUC and Peninsula Pipeline Company (PPC) dated December 1, 2012. The agreement is for 20 years and then an indefinite amount of 10 year extensions. The monthly payment is \$15,583.33 for a maximum of 3,000 Dths per day. <p style="text-align: right;">Riviera</p> |
| Peninsula Energy Services | Delivered gas purchase contract from May 1, 2012 to April 30, 2013. The price is IFERC FGT Zone 3 plus .54MMBTu plus FGT FTS-1 usage and fuel retention. The minimum purchase amounts vary by month. The lowest min purchase is 1,000 MMBTu in August and November through April. The max of the mins is 4,000 MMBTUs in May and October. A second delivered gas purchase contract from May 1, 2013 to October 31, 2013. The price is IFERC FGT Zone 3 plus .59MMBTu plus FGT FTS-1 usage and fuel retention. The minimum purchase amounts vary by month. The lowest min purchase is 1,000 MMBTu in August. The max of the mins is 4,000 MMBTUs in May and October. |

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

| Name of Affiliate | Description of Transaction | Dollar Amount |
|--------------------------------------|--|---------------|
| Peninsula Pipeline Company, Inc. | Firm Transportation Service Agreement between FPUC and PPC | (2,187,913) |
| Peninsula Energy Services | 2013 Imbalance Settlements | (85,461) |
| Peninsula Energy Services | Delivered Gas Deal | (4,916,554) |
| FPU - Indiantown Division | Property plant and equipment transfers | (745,330) |
| Florida Public Utilities - Electric | Property plant and equipment transfers | 22,079 |
| Florida Public Utilities - Corporate | Property plant and equipment transfers | 39,987 |

ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

| Name of Affiliate | Description of Asset or Right | Cost/Orig. Cost | Accumulated Depreciation | Net Book Value | Fair Market Value | Purchase Price | Title Passed Yes/No |
|-----------------------------------|-------------------------------|-----------------|--------------------------|----------------|-------------------|----------------|---------------------|
| Purchases from Affiliates: | | | | | | | |
| None | | \$ | \$ | \$ | \$ | \$ | |
| | | | | | | | |
| Total | | | | | | \$ | |
| Sales to Affiliates: | | | | | | | |
| None | | \$ | \$ | \$ | \$ | Sales Price | |
| | | | | | | | |
| Total | | | | | | \$ | |

EMPLOYEE TRANSFERS

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

| Company Transferred From | Company Transferred To | Old Job Assignment | New Job Assignment | Transfer Permanent or Temporary and Duration |
|--------------------------|------------------------|--------------------|--------------------|--|
| None | | | | |