

CONFIDENTIAL

060291-PU

FLORIDA PUBLIC SERVICE COMMISSION
GAS FORECASTED EARNINGS SURVEILLANCE REPORT

SCHEDULE 1

Company: FLORIDA PUBLIC UTILITIES COMPANY
Year: 2006

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>			
NET OPERATING INCOME	\$5,145,556	10,457 (b)	\$5,156,013
AVERAGE RATE BASE	\$62,932,107	(110,790)	\$62,821,317
AVERAGE RATE OF RETURN	8.18%		8.21%

III. REQUIRED RATES OF RETURN
AVERAGE CAPITAL STRUCTURE
(FPSC ADJUSTED BASIS)

LOW	7.87%
MIDPOINT	8.24%
HIGH	8.61%

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING FLEX RATE REVENUES	11.17%
B. EXCLUDING FLEX RATE REVENUES	11.17%

DRH 6-8-06 (entire DN)
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION
 GAS FORECASTED EARNINGS SURVEILLANCE REPORT
 AVERAGE RATE OF RETURN
 RATE BASE

SCHEDULE 2
 PAGE 1 OF 2

Company FLORIDA PUBLIC UTILITIES COMPANY - CONSOLIDATED GAS DIVISION
 Year: 2006

	(1) PLANT IN SERVICE	(2) ACCUM DEPREC & AMORT*	(3) NET PLANT IN SERVICE	(4) PROP HELD FOR FUT. USE	(5) CONS WORK IN PROG	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$92,255,604	\$27,728,649	\$64,526,955			\$64,526,955	(\$1,594,848)	\$62,932,107
<u>FPSC ADJUSTMENTS:</u>								
1/2 RATE CASE EXPENSE							(110,790)	(110,790)
TOTAL FPSC ADJUSTMENTS							(110,790)	(110,790)
FPSC ADJUSTED	92,255,604	27,728,649	64,526,955			64,526,955	(1,705,638)	62,821,317
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	92,255,604	27,728,649	64,526,955			64,526,955	(1,705,638)	62,821,317

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FLORIDA PUBLIC SERVICE COMMISSION
 GAS FORECASTED EARNINGS SURVEILLANCE REPORT
 AVERAGE RATE OF RETURN
 INCOME STATEMENT

SCHEDULE 2
 PAGE 2 OF 2

Company FLORIDA PUBLIC UTILITIES COMPANY - CONSOLIDATED GAS DIVISION
 Year: 2006

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
	OPERATING	O & M	O & M	DEP. &	TAXES	INC. TAXES	DEFERRED	INVESTMENT	GAIN/LOSS	TOTAL	OPERATING	
	REVENUES	FUEL & NET	OTHER	AMORT	OTHER	CURRENT	INC. TAXES	TAX CREDIT	ON	OPERATING	NET	
		INTERCHANGE			THAN INC.		(NET)	(NET)	DISPOSITION	EXPENSES	INCOME(a)	
PER BOOKS	\$89,828,624	\$55,412,700	\$17,348,123	\$4,213,020	\$6,184,800	\$1,563,437		(\$39,012)		\$84,683,068	\$5,145,556	
FPSC ADJUSTMENTS:												
CONSERVATION/UNBUND RECOVERI	(2,576,200)		(2,576,200)		(12,894)					(2,589,094)	12,894	
FUEL COST RECOVERIES	(55,593,500)	(55,412,700)			(275,532)	35,648				(55,652,584)	59,084	
FUEL OVER/UNDER RECOVERIES	(97,200)					(36,576)				(36,576)	(60,624)	
INTEREST & IT SYNCHRONIZATION						(11,997)				(11,997)	11,997	
TOTAL FPSC ADJUSTMENTS	(55,690,700)	(55,412,700)			(275,532)	(12,925)				(55,701,157)	10,457	
FPSC ADJUSTED	34,137,924		17,348,123	4,213,020	5,909,268	1,550,512		(39,012)		28,981,911	5,156,013	
FLEX RATE REVENUES												
ADJUSTED FOR												
FLEX RATE REVENUES	34,137,924		17,348,123	4,213,020	5,909,268	1,550,512		(39,012)		28,981,911	5,156,013	37.63%

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FLORIDA PUBLIC SERVICE COMMISSION
 GAS FORECASTED EARNINGS SURVEILLANCE REPORT
 CAPITAL STRUCTURE
 FPSC ADJUSTED BASIS

SCHEDULE 3

Company: FLORIDA PUBLIC UTILITIES COMPANY
 Year: 2006

AVERAGE	SYSTEM PER BOOKS	ADJ. FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS		ADJ. RETAIL	RATIO (%)	LOW POINT		MID POINT		HIGH POINT	
				PRORATA	SPECIFIC			COST RATE (%)	WGHT COST (%)	COST RATE (%)	WGHT COST (%)	COST RATE (%)	WGHT COST (%)
LONG TERM DEBT	\$26,873,016	\$566,189	\$27,439,205	(57,987)		\$27,381,218	43.59	8.04	3.50	8.04	3.50	8.04	3.50
SHORT TERM DEBT	\$1,399,745	\$31,455	1,431,200	(3,025)		1,428,175	2.27	2.41	0.05	2.41	0.05	2.41	0.05
PREFERRED STOCK	\$319,792	\$5,243	325,035	(687)		324,348	0.52	4.75	0.02	4.75	0.02	4.75	0.02
CUSTOMER DEPOSITS	\$4,599,466		4,599,466			4,599,466	7.32	6.50	0.48	6.50	0.48	6.50	0.48
COMMON EQUITY	\$23,832,371	(\$602,887)	23,229,484	(49,080)		23,180,404	36.90	10.25	3.78	11.25	4.15	12.25	4.52
DEFERRED INCOME TAXES	\$5,620,755		5,620,755			5,620,755	8.95						
TAX CREDITS-ZERO COST													
TAX CREDITS-WEIGHTED COST	\$286,962		286,962			286,962	0.45	8.85	0.04	9.29	0.04	9.74	0.04
TOTAL	<u>\$62,932,107</u>		<u>\$62,932,107</u>	<u>(\$110,779)</u>		<u>\$62,821,328</u>	<u>100.00</u>		<u>7.87</u>		<u>8.24</u>		<u>8.61</u>

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FLORIDA PUBLIC SERVICE COMMISSION
 GAS FORECASTED EARNINGS SURVEILLANCE REPORT
 EARNED RETURN ON COMMON EQUITY
 FPSC ADJUSTED BASIS

SCHEDULE 4

Company FLORIDA PUBLIC UTILITIES COMPANY
 Year: 2006

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
 INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	8.21
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.50)
SHORT TERM DEBT	(0.05)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.48)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.04)
SUBTOTAL	<u>(4.09)</u>
TOTAL	4.12
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.3690</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.17</u>

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY
 EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$ 5,156,013
RATE BASE EXCLUDING FLEX RATE REVENUES	\$ 62,821,317
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>8.21</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.50)
SHORT TERM DEBT	(0.05)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.48)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.04)
SUBTOTAL	<u>(4.09)</u>
TOTAL	4.12
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.3690</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.17</u>

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Company: FLORIDA PUBLIC UTILITIES COMPANY
 Year: 2006

FORECAST ASSUMPTIONS

<u>Customers</u>	<u>Forecast Year</u>	<u>Prior Year</u>
Residential	46,355	45,179
Commercial	4,301	4,433
Industrial/Interruptible	2	4
Transportation	467	331
Other	53	
Total	<u>51,178</u>	<u>49,947</u>

<u>Therm Sales</u>	<u>Forecast Year</u>	<u>Prior Year</u>
Residential	1,280,400	1,182,445
Commercial	3,021,400	2,872,713
Industrial/Interruptible	80,400	95,998
Transportation	2,076,600	1,901,199
Other	43,000	
Total	<u>6,501,800</u>	<u>6,052,355</u>

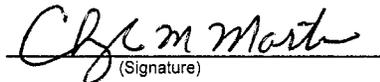
OTHER MAJOR FORECAST ASSUMPTIONS

1. CAPITAL STRUCTURE FIGURES COME FROM THE CONSOLIDATED GAS MFR.
2. OTHER FIGURES COME FROM THE OPERATING BUDGET.
3. DEFERRED TAXES ARE INCLUDED IN CURRENT INCOME TAXES.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Cheryl M. Martin, Controller
 (Name & Title of CFO)


 (Signature)

2/28/06
 (Date)

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