



FLORIDA PUBLIC
UTILITIES

March 16, 2009

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

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
09 MAR 19 AM 9:16
DIVISION OF
ECONOMIC REGULATION

Dear Mr. Slemkewicz:

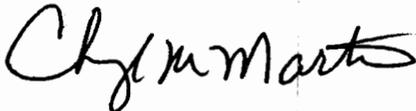
Subject: Earnings Surveillance Report

Enclosed is the earnings surveillance report (Schedules 1 through 5) for our Consolidated Electric divisions and ~~Consolidated Gas divisions~~, for the twelve months ended ~~December 31, 2008~~.

Per the final order PSC-99-0954-PAA-EI, also enclosed are the revised schedules for ITC amortization, flow-back of excess deferred income taxes (EDIT), and a summary of the transactions in our storm reserves for both the Marianna and Fernandina Beach electric divisions for 2008.

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

Sincerely,



Cheryl M. Martin
Controller

cdy

Cc: Bachman, George (Sch 1 only)
English, Jack (Sch 1 only)
Office of Public Counsel - Shreve (all)
Schneidermann, Marc (all Nat gas)
Stein, Chuck (all)
Cutshaw, Mark (Electric only)
Shelly, Buddy (Electric only)
SJ 45-69 (all)



FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISION
 EARNINGS SURVEILLANCE REPORT SUMMARY
 DECEMBER 2008

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$3,292,791	(43,884)	\$3,248,907	\$0	\$3,248,907
AVERAGE RATE BASE	\$68,898,268	(3,669,292)	\$65,228,976	0	\$65,228,976
AVERAGE RATE OF RETURN	4.78%		4.98%		4.98%
II. YEAR END RATE BASE (JURISDICTIONAL)					
	\$71,859,483	(3,668,350)	\$68,191,133	0	\$68,191,133
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	7.73%		A. INCLUDING FLEX RATE REVENUES		2.91%
MIDPOINT	8.10%		B. EXCLUDING FLEX RATE REVENUES		2.91%
HIGH	8.48%				

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)

Cheryl M. Martin
 (Signature)

3/12/09
 (Date)

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER 2008**

**SCHEDULE 2
PAGE 1 OF 2**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<u>PLANT IN SERVICE</u>	<u>ACCUMULATED DEPRECIATION & AMORTIZATION*</u>	<u>NET PLANT IN SERVICE</u>	<u>PROPERTY HELD FOR FUTURE USE</u>	<u>CONSTRUCTION WORK IN PROGRESS</u>	<u>NET UTILITY PLANT</u>	<u>WORKING CAPITAL</u>	<u>TOTAL RATE BASE</u>
PER BOOKS	\$111,267,664	\$38,052,260	\$73,215,404		\$1,744,204	\$74,959,608	(\$6,061,340)	\$68,898,268
<u>FPSC ADJUSTMENTS:</u>								
NONUTILITY PLANT	(1,579,025)	(434,767)	(1,144,258)			(1,144,258)		(1,144,258)
RATE REFUND ADJ - 2008 O/E							18,366	18,366
SFNG ACQUISITION GOOD WILL	(2,545,009)		(2,545,009)			(2,545,009)		(2,545,009)
Accrued A/P invoices - Dec 2008					127	127	1,482	1,609
TOTAL FPSC ADJUSTMENTS	(4,124,034)	(434,767)	(3,689,267)		127	(3,689,140)	19,848	(3,669,292)
FPSC ADJUSTED	107,143,630	37,617,493	69,526,137		1,744,331	71,270,468	(6,041,492)	65,228,976
<u>FLEX RATE REVENUES</u>								
ADJUSTED FOR								
FLEX RATE REVENUES	107,143,630	37,617,493	69,526,137		1,744,331	71,270,468	(6,041,492)	65,228,976
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
<hr/>								
TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED	\$107,143,630	\$37,617,493	\$69,526,137		\$1,744,331	\$71,270,468	(\$6,041,492)	\$65,228,976

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
INCOME STATEMENT
DECEMBER 2008

SCHEDULE 2
PAGE 2 OF 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$72,624,287	\$40,257,699	\$17,913,403	\$4,773,018	\$6,117,062	(\$971,714)	\$1,278,870	(\$36,842)		\$89,331,496	\$3,292,791
FPSC ADJUSTMENTS:											
FUEL COST RECOVERIES	(39,046,113)	(41,013,773)			(195,419)	813,987				(40,395,225)	1,349,112
FUEL OVER/UNDER RECOVERIES	(1,378,279)	756,074				(803,157)				(47,083)	(1,331,196)
CONSERVATION/UNBUNDLING RECOVERIES	(1,948,937)		(1,952,197)		(9,533)	4,814				(1,956,916)	7,979
INT. & INC. TAX SYNCHRONIZATION						87,648				87,648	(87,648)
NONUTILITY DEPRECIATION EXPENSE				(99,040)		37,269				(61,771)	61,771
RATE REFUND ADJ - 2008 O/E	(134,945)					(50,780)				(50,780)	(84,165)
REMOVAL OF ECONOMIC DEV. EXP. AEP	(529,324)		(526,822)		(2,502)					(529,324)	
Accrued A/P Invoices - Dec 2008			(259)			97				(182)	162
Prior period revenue adj. -AT&T rental					(64,295)	24,194				(40,101)	40,101
Allocation of Property Taxes											
TOTAL FPSC ADJUSTMENTS	(43,037,598)	(40,257,699)	(2,479,278)	(99,040)	(271,749)	114,052				(42,993,714)	(43,884)
FPSC ADJUSTED	29,586,689		15,434,125	4,673,978	5,845,313	(857,662)	1,278,870	(36,842)		26,337,782	3,248,907
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES											
	29,586,689		15,434,125	4,673,978	5,845,313	(857,662)	1,278,870	(36,842)		26,337,782	3,248,907
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED	\$29,586,689		\$15,434,125	\$4,673,978	\$5,845,313	(\$857,662)	\$1,278,870	(\$36,842)		\$26,337,782	\$3,248,907
PER BOOKS CURRENT MONTH AMOUNT											
	\$6,301,482	\$3,065,631	\$1,679,824	\$422,930	\$568,002	(\$1,110,632)	\$1,252,753	(\$3,072)		\$5,875,436	\$426,046

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
YEAR END RATE OF RETURN
RATE BASE
DECEMBER 2008**

SCHEDULE 3

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<u>PLANT IN SERVICE</u>	<u>ACCUMULATED DEPRECIATION & AMORTIZATION*</u>	<u>NET PLANT IN SERVICE</u>	<u>PROPERTY HELD FOR FUTURE USE</u>	<u>CONSTRUCTION WORK IN PROGRESS</u>	<u>NET UTILITY PLANT</u>	<u>WORKING CAPITAL</u>	<u>TOTAL RATE BASE</u>
PER BOOKS	\$113,926,282	\$39,180,000	\$74,746,282		\$1,337,312	\$76,083,594	(\$4,224,111)	\$71,859,483
<u>FPSC ADJUSTMENTS:</u>								
NONUTILITY PLANT	(1,579,025)	(434,767)	(1,144,258)			(1,144,258)		(1,144,258)
RATE REFUND ADJ - 2006 O/E						(2,545,007)		(2,545,007)
SFNG ACQUISITION GOOD WILL	(2,545,007)		(2,545,007)			1,647		20,915
Accrued A/P Invoices - Dec 2008					1,647	1,647	19,268	
TOTAL FPSC ADJUSTMENTS	(4,124,032)	(434,767)	(3,689,265)		1,647	(3,687,618)	19,268	(3,668,350)
FPSC ADJUSTED	\$109,802,250	\$38,745,233	\$71,057,017		\$1,338,959	\$72,395,976	(\$4,204,843)	\$68,191,133
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>								
TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED	\$109,802,250	\$38,745,233	\$71,057,017		\$1,338,959	\$72,395,976	(\$4,204,843)	\$68,191,133

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
DECEMBER 2008

SCHEDULE 4

AVERAGE	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO (%)	LOW POINT WEIGHTED		MID POINT WEIGHTED		HIGH POINT WEIGHTED	
				PRORATA	SPECIFIC			COST RATE (%)	COST (%)	COST RATE (%)	COST (%)	COST RATE (%)	COST (%)
LONG TERM DEBT	\$26,246,712	297,860	\$26,544,572	(1,667,693)		\$24,876,879	38.14	7.95	3.03	7.95	3.03	7.95	3.03
SHORT TERM DEBT	5,419,882	64,244	5,484,126	(344,547)		5,139,579	7.88	2.88	0.23	2.88	0.23	2.88	0.23
PREFERRED STOCK	315,381	5,840	321,221	(20,181)		301,040	0.46	4.75	0.02	4.75	0.02	4.75	0.02
CUSTOMER DEPOSITS	5,800,934		5,800,934			5,800,934	8.99	6.59	0.59	6.59	0.59	6.59	0.59
COMMON EQUITY	26,421,923	(367,944)	26,053,979	(1,636,871)		24,417,108	37.43	10.25	3.84	11.25	4.21	12.25	4.59
DEFERRED INCOME TAXES	4,541,043		4,541,043			4,541,043	6.96						
TAX CREDITS-ZERO COST													
TAX CREDITS-WEIGHTED COST	152,393		152,393			152,393	0.24	8.48	0.02	8.93	0.02	9.37	0.02
TOTAL	\$68,898,268		\$68,898,268	(\$3,669,292)		\$65,228,976	100.00		7.73		8.10		8.48

YEAR END	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO (%)	LOW POINT WEIGHTED		MID POINT WEIGHTED		HIGH POINT WEIGHTED	
				PRORATA	SPECIFIC			COST RATE (%)	COST (%)	COST RATE (%)	COST (%)	COST RATE (%)	COST (%)
LONG TERM DEBT	\$26,430,123	346,038	\$26,776,161	(1,646,355)		\$25,129,806	36.85	8.04	2.96	8.04	2.96	8.04	2.96
SHORT TERM DEBT	6,855,127	89,492	6,944,619	(426,996)		6,517,623	9.56	2.32	0.22	2.32	0.22	2.32	0.22
PREFERRED STOCK	322,173	5,966	328,139	(20,178)		307,963	0.45	4.75	0.02	4.75	0.02	4.75	0.02
CUSTOMER DEPOSITS	6,007,071		6,007,071			6,007,071	8.81	6.35	0.56	6.35	0.56	6.35	0.56
COMMON EQUITY	26,054,254	(441,496)	25,612,758	(1,574,823)		24,037,935	35.25	10.25	3.61	11.25	3.97	12.25	4.32
DEFERRED INCOME TAXES	6,056,763		6,056,763			6,056,763	8.88						
TAX CREDITS-ZERO COST													
TAX CREDITS-WEIGHTED COST	133,972		133,972			133,972	0.20	8.31	0.02	8.74	0.02	9.17	0.02
TOTAL	\$71,859,483		\$71,859,483	(\$3,668,350)		\$68,191,133	100.00		7.39		7.75		8.10

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
DECEMBER 2008**

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

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>4.98</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.03)
SHORT TERM DEBT	(0.23)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.59)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.02)
SUBTOTAL	<u>(3.89)</u>
TOTAL	1.09
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.3743</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>2.91</u>

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

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$3,248,907
RATE BASE EXCLUDING FLEX RATE REVENUES	\$65,228,976
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>4.98</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.03)
SHORT TERM DEBT	(0.23)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.59)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.02)
SUBTOTAL	<u>(3.89)</u>
TOTAL	1.09
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.3743</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>2.91</u>

**Florida Public Utilities Company
NATURAL GAS DIVISIONS
100.2280.12 - Natural Gas Storm Reserve
Dec-08**

Prepared by: N Bhatia
Date: 01/13/09

Approved by: *[Signature]*
Date: 3/12/09

DATE	Accruals/ Transfers	Storm Charges	Overearnings (JE 5)	Balance
BALANCES				(612,773.82)
Jan-08		0.00		(612,773.82)
Feb-08		0.00		(612,773.82)
Mar-08		0.00		(612,773.82)
Apr-08		0.00		(612,773.82)
May-08		0.00		(612,773.82)
Jun-08		0.00		(612,773.82)
Jul-08		0.00		(612,773.82)
Aug-08		0.00		(612,773.82)
Sep-08		756.46	(176,687.00)	(788,704.36)
Oct-08		0.00		(788,704.36)
Nov-08		0.00		(788,704.36)
Dec-08		0.00		(788,704.36)
	<u>0.00</u>	<u>756.46</u>	<u>(176,687.00)</u>	

Sep-08 Per Docket # 080514-GU, staff recommends that our 2006 NG overearnings of \$159,945 plus interest of \$16,742 be applied to our NG Storm Resv. 2280.12

Sep-07 Per Order # PSC-05-1040-PAA-GU issued 10/25/05, Docket # 070107-GU, staff recommends that our 2005 NG overearnings of \$735,182 plus interest, be applied to our outstanding NG storm surcharge 1820.32, any NG unrecovered storm cost 1820.31 and the remainder to our NG Storm Reserve 2280.12.

2005 Over-earning Balance #2290.1	735,182.00
Less amt. applied to 121.1820.31 Unrecovered Storm Costs	(13,286.00)
Less amt. applied to 121.1820.32 Regulatory Asset Storm reserve (surcharge)	(118,436.86)
Plus Interest for Aug & Sept on Ovr Em	6,610.11
	<u>610,069.25</u>
November 2007 Final bal. Trnsf	2,704.57
Remainder Trnsf to 2280.12 for NG Storm Reserve to cover future storm-related costs	<u>\$ 612,773.82</u>

Note: \$117,773 of 2002 excess earnings was ordered by the Commission on 10/25/05 to be considered as an offset to future storm restoration costs. The \$117,773 of excess earnings was offset by March 2006, and the balance of March's storm costs were transferred to account 121.1820.31. Future storm costs will be posted to that account.