



Writer's Direct Dial Number: (850) 521-1706  
Writer's E-Mail Address: bkeating@gunster.com

June 18, 2013

**HAND DELIVERY**

Mr. Marshall Willis, Director  
Division of Accounting and Finance  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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FLORIDA PUBLIC SERVICE  
COMMISSION  
13 JUN 18 PM 4:33  
DIVISION OF  
ACCOUNTING & FINANCE

Re: Florida Public Utilities Company/Electric Division and Natural Gas Division—March 2013  
Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Electric and Natural Gas Divisions the period ended March 31, 2013. One additional hard copy of each report is also included.

As always, please do not hesitate to give me a call if you have any questions or concerns whatsoever.

Sincerely,

Beth Keating  
Gunster, Yoakley, & Stewart, P.A.  
215 S. Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 March 31, 2013

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 8,063,237	\$153,657	\$8,216,894	\$1,713,296	\$9,930,190
AVERAGE RATE BASE	\$110,024,487	\$2,248,103	\$112,272,590	(\$32,044,842)	\$80,227,748
AVERAGE RATE OF RETURN	7.33%		7.32%		12.38%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$8,063,237	\$158,787	\$8,222,024	\$1,713,296	\$9,935,320
YEAR-END RATE BASE	\$117,346,319	\$2,165,112	\$119,511,431	(\$31,192,583)	\$88,318,848
YEAR-END RATE OF RETURN	6.87%		6.88%		11.25%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	7.08%				
MIDPOINT	7.57%				
HIGH	8.05%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
			A.	INCL COMP RATE ADJ REVENUES	12.67%
			B.	EXCL COMP RATE ADJ REVENUES	12.67%

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

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

Cheryl M. Martin  
 Director - Regulatory Affairs

*Cheryl M. Martin*  
 Signature

6/12/13  
 Date

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FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending March 31, 2013  
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$167,463,745	(\$52,402,817)	\$115,060,929	\$0	\$3,010,134	\$118,071,063	(\$8,046,576)	\$110,024,487
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$367,869	\$367,869
ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
ELIM. NON-UTILITY PLANT	(\$1,982,601)	\$721,740	(\$1,260,861)			(\$1,260,861)		(\$1,260,861)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,610,777	\$5,610,777
TOTAL FPSC ADJUSTMENTS	(\$4,452,283)	\$721,740	(\$3,730,543)	\$0	\$0	(\$3,730,543)	\$5,978,646	\$2,248,103
FPSC ADJUSTED	\$163,011,462	(\$51,681,076)	\$111,330,386	\$0	\$3,010,134	\$114,340,520	(\$2,067,930)	\$112,272,590
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$163,011,462	(\$51,681,076)	\$111,330,386	\$0	\$3,010,134	\$114,340,520	(\$2,067,930)	\$112,272,590
PROFORMA ADJUSTMENTS								
			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$32,130,187)	\$1,261,962	(\$30,868,225)			(\$30,868,225)		(\$30,868,225)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$1,176,617)	(\$1,176,617)
TOTAL PRO FORMA ADJUSTMENTS	(\$32,130,187)	\$1,261,962	(\$30,868,225)	\$0	\$0	(\$30,868,225)	(\$1,176,617)	(\$32,044,842)
PRO FORMA ADJUSTED	\$130,881,275	(\$50,419,114)	\$80,462,161	\$0	\$3,010,134	\$83,472,295	(\$3,244,547)	\$80,227,748



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending March 31, 2013  
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$173,132,764	(\$54,907,113)	\$118,225,651	\$0	\$3,529,665	\$121,755,316	(\$4,408,998)	\$117,346,319
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$242,352	\$242,352
ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
ELIM. NON-UTILITY PLANT	(\$1,979,481)	\$762,518	(\$1,216,964)			(\$1,216,964)		(\$1,216,964)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,609,406	\$5,609,406
TOTAL FPSC ADJUSTMENTS	(\$4,449,163)	\$762,518	(\$3,686,646)	\$0	\$0	(\$3,686,646)	\$5,851,758	\$2,165,112
FPSC ADJUSTED	\$168,683,601	(\$54,144,595)	\$114,539,006	\$0	\$3,529,665	\$118,068,671	\$1,442,760	\$119,511,431
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$168,683,601	(\$54,144,595)	\$114,539,006	\$0	\$3,529,665	\$118,068,671	\$1,442,760	\$119,511,431
PROFORMA ADJUSTMENTS			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$32,535,465)	\$2,237,115	(\$30,298,350)			(\$30,298,350)		(\$30,298,350)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$894,233)	(\$894,233)
TOTAL PRO FORMA ADJUSTMENTS	(\$32,535,465)	\$2,237,115	(\$30,298,350)	\$0	\$0	(\$30,298,350)	(\$894,233)	(\$31,192,583)
PRO FORMA ADJUSTED	\$136,148,136	(\$51,907,480)	\$84,240,656	\$0	\$3,529,665	\$87,770,321	\$548,527	\$88,318,848



AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$54,239,594	(\$1,260,861)	\$52,978,733	\$3,689,841	(\$2,469,682)	\$54,198,892	48.27%	9.85%	4.75%	10.85%	5.24%	11.85%	5.72%
LONG TERM DEBT - CU	\$14,700,628		\$14,700,628	\$1,000,063		\$15,700,691	13.98%	6.07%	0.85%	6.07%	0.85%	6.07%	0.85%
SHORT TERM DEBT	\$8,229,836		\$8,229,836	\$559,864		\$8,789,700	7.83%	1.41%	0.11%	1.41%	0.11%	1.41%	0.11%
LONG TERM DEBT - FC	\$10,714,304		\$10,714,304	\$728,879		\$11,443,183	10.19%	11.09%	1.13%	11.09%	1.13%	11.09%	1.13%
CUSTOMER DEPOSITS	\$7,368,207		\$7,368,207			\$7,368,207	6.56%	3.72%	0.24%	3.72%	0.24%	3.72%	0.24%
DEFERRED INCOME TAXES	\$14,743,779		\$14,743,779			\$14,743,779	13.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$28,138		\$28,138			\$28,138	0.03%	6.84%	0.00%	7.33%	0.00%	7.81%	0.00%
TOTAL AVERAGE	\$110,024,487	(\$1,260,861)	\$108,763,626	\$5,978,646	(\$2,469,682)	\$112,272,590	100.00%		7.08%		7.57%		8.05%

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$58,662,223	(\$1,216,964)	\$57,445,259	\$3,620,711	(\$2,469,682)	\$58,596,287	49.03%	9.85%	4.83%	10.85%	5.32%	11.85%	5.81%
LONG TERM DEBT - CU	\$14,671,880		\$14,671,880	\$905,568		\$15,577,448	13.03%	6.33%	0.83%	6.33%	0.83%	6.33%	0.83%
SHORT TERM DEBT	\$11,039,268		\$11,039,268	\$681,358		\$11,720,626	9.81%	1.08%	0.11%	1.08%	0.11%	1.08%	0.11%
LONG TERM DEBT - FC	\$10,435,961		\$10,435,961	\$644,121		\$11,080,082	9.27%	11.13%	1.03%	11.13%	1.03%	11.13%	1.03%
CUSTOMER DEPOSITS	\$7,302,004		\$7,302,004			\$7,302,004	6.11%	3.75%	0.23%	3.75%	0.23%	3.75%	0.23%
DEFERRED INCOME TAXES	\$15,215,153		\$15,215,153			\$15,215,153	12.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$19,830		\$19,830			\$19,830	0.02%	6.80%	0.00%	7.29%	0.00%	7.78%	0.00%
TOTAL YEAR-END	\$117,346,319	(\$1,216,964)	\$116,129,355	\$5,851,758	(\$2,469,682)	\$119,511,431	100.00%		7.03%		7.52%		8.01%