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NOVEMBER 5, 2012

**HAND DELIVERY**

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

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
12 NOV -5 PM 5:44  
DIVISION OF  
ACCOUNTING & FINANCE

Re: Florida Public Utilities Company/Indiantown Division – Revised 1<sup>st</sup> and 2<sup>nd</sup> Quarter (2012)  
Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the revised 1<sup>st</sup> and 2<sup>nd</sup> Quarter Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Indiantown Division. One additional hard copy of each report is also included. Two copies of Schedule 1 are provided, because the signed copy of Schedule 1 is slightly less legible.

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

MEK  
Cc://Mr. John Slemkewicz

RATE OF RETURN REPORT SUMMARY  
DECEMBER 31, 2011

	(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	\$173,551	(\$26,896)	\$146,655	(\$30,541)	\$116,115
AVERAGE RATE BASE	\$1,315,679	(\$745,800)	\$569,879	\$700,225	\$1,270,104
AVERAGE RATE OF RETURN	13.19%		25.73%		9.14%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$173,551	(\$25,204)	\$148,347	(\$30,541)	\$117,806
YEAR-END RATE BASE	\$1,651,067	(\$745,800)	\$905,267	\$675,365	\$1,580,632
YEAR-END RATE OF RETURN	10.51%		16.39%		7.45%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>		
LOW	8.12%		A.	INCL COMP RATE ADJ REVENUES	42.51%
MIDPOINT	8.68%		B.	EXCL COMP RATE ADJ REVENUES	42.51%
HIGH	9.24%				

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 of Regulatory Affairs

Signature

*Cheryl Martin*  
*per MJD*

Date

11/2/2012

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DECEMBER 31, 2011

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Cheryl M. Martin  
Director of Regulatory Affairs

Signature

Date

**AVERAGE RATE OF RETURN**  
FOR THE THIRTEEN MONTHS ENDED 12/31/2011  
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	\$1,925,469	(\$690,265)	\$1,235,204	\$0	\$0	\$1,235,204	\$80,476	\$1,315,679
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	(\$745,800)		(\$745,800)			(\$745,800)	\$0	\$0 (\$745,800)
TOTAL FPSC ADJUSTMENTS	(\$745,800)	\$0	(\$745,800)	\$0	\$0	(\$745,800)	\$0	(\$745,800)
FPSC ADJUSTED	\$1,179,669	(\$690,265)	\$489,404	\$0	\$0	\$489,404	\$80,476	\$569,879
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$1,179,669	(\$690,265)	\$489,404	\$0	\$0	\$489,404	\$80,476	\$569,879
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$745,800	(\$45,575)	\$700,225	\$0	\$0	\$700,225	\$0	\$700,225
TRANSACTION & TRANSITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$745,800	(\$45,575)	\$700,225	\$0	\$0	\$700,225	\$0	\$700,225
PRO FORMA ADJUSTED	\$1,925,469	(\$735,840)	\$1,189,629	\$0	\$0	\$1,189,629	\$80,476	\$1,270,104

**AVERAGE RATE OF RETURN**  
FOR THE THIRTEEN MONTHS ENDED 12/31/2011  
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$613,342	\$3,095	\$283,359	\$39,071	\$6,066	\$108,200	\$0	\$0	\$0	\$439,791	\$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$4,971)				(\$4,971)	\$4,971
2) Income Tax Effective Rate Adjustment						\$444				\$444	(\$444)
3) Bad Debt Provision for Indiantown Cogen			\$21,688			(\$8,366)				\$13,322	(\$13,322)
4) Natural Gas Allocation Adjustment			\$29,469			(\$11,368)				\$18,101	(\$18,101)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$51,157	\$0	\$0	(\$24,261)	\$0	\$0	\$0	\$26,896	(\$26,896)
FPSC ADJUSTED	\$613,342	\$3,095	\$334,516	\$39,071	\$6,066	\$83,939	\$0	\$0	\$0	\$466,687	\$146,655
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$613,342	\$3,095	\$334,516	\$39,071	\$6,066	\$83,939	\$0	\$0	\$0	\$466,687	\$146,655
ACQUISITION ADJ. - AMORT EXP	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
TRANSACTION/TRANSITION COSTS - AMORT EXP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
PRO FORMA ADJUSTED	\$613,342	\$3,095	\$334,516	\$88,791	\$6,066	\$64,759	\$0	\$0	\$0	\$497,227	\$116,115

YEAR END RATE OF RETURN  
FOR THE THIRTEEN MONTHS ENDED 12/31/2011  
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	\$2,052,697	(\$713,351)	\$1,339,346	\$0	\$0	\$1,339,346	\$311,721	\$1,651,067
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	(\$745,800)		(\$745,800)			(\$745,800)	\$0	\$0 (\$745,800)
TOTAL FPSC ADJUSTMENTS	(\$745,800)	\$0	(\$745,800)	\$0	\$0	(\$745,800)	\$0	(\$745,800)
FPSC ADJUSTED	\$1,306,897	(\$713,351)	\$593,546	\$0	\$0	\$593,546	\$311,721	\$905,267
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$1,306,897	(\$713,351)	\$593,546	\$0	\$0	\$593,546	\$311,721	\$905,267
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$745,800	(\$70,435)	\$675,365	\$0	\$0	\$675,365	\$0	\$675,365
TRANSACTION & TRANSITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$745,800	(\$70,435)	\$675,365	\$0	\$0	\$675,365	\$0	\$675,365
PRO FORMA ADJUSTED	\$2,052,697	(\$783,786)	\$1,268,911	\$0	\$0	\$1,268,911	\$311,721	\$1,580,632

YEAR END RATE OF RETURN  
FOR THE THIRTEEN MONTHS ENDED 12/31/2011  
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$613,342	\$3,095	\$283,359	\$39,071	\$6,066	\$108,200	\$0	\$0	\$0	\$439,791	\$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$6,664)				(\$6,664)	\$6,664
2) Income Tax Effective Rate Adjustment						\$445				\$445	(\$445)
3) Bad Debt Provision for Indiantown Cogen			\$21,688			(\$8,366)				\$13,322	(\$13,322)
4) Natural Gas Allocation Adjustment			\$29,469			(\$11,368)				\$18,101	(\$18,101)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$51,157	\$0	\$0	(\$25,953)	\$0	\$0	\$0	\$25,204	(\$25,204)
FPSC ADJUSTED	\$613,342	\$3,095	\$334,516	\$39,071	\$6,066	\$82,247	\$0	\$0	\$0	\$464,995	\$148,347
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$613,342	\$3,095	\$334,516	\$39,071	\$6,066	\$82,247	\$0	\$0	\$0	\$464,995	\$148,347
ACQUISITION ADJ. - AMORT EXP	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
TRANSACTION/TRANSITION COSTS - AMORT EXP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
PRO FORMA ADJUSTED	\$613,342	\$3,095	\$334,516	\$88,791	\$6,066	\$63,068	\$0	\$0	\$0	\$495,536	\$117,806

CAPITAL STRUCTURE  
DECEMBER 31, 2011  
FPSC ADJUSTED BASIS

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 317,112			\$ 317,112		\$ 317,112	55.65%	10.50%	5.84%	11.50%	6.40%	12.50%
LONG TERM DEBT	\$ 147,411			\$ 147,411		\$ 147,411	25.87%	6.91%	1.79%	6.91%	1.79%	6.91%	1.79%
SHORT TERM DEBT	\$ 32,570			\$ 32,570		\$ 32,570	5.72%	1.24%	0.07%	1.24%	0.07%	1.24%	0.07%
SHORT TERM DEBT REFINANCED LTD	\$ 17,932			\$ 17,932		\$ 17,932	3.15%	6.33%	0.20%	6.33%	0.20%	6.33%	0.20%
CUSTOMER DEPOSITS	\$ 19,197			\$ 19,197		\$ 19,197	3.37%	6.57%	0.22%	6.57%	0.22%	6.57%	0.22%
DEFERRED TAXES	\$ 35,657			\$ 35,657		\$ 35,657	6.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$ 569,878</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 569,878</b>	<b>\$ 0</b>	<b>\$ 569,878</b>	<b>100.00%</b>		<b>8.12%</b>		<b>8.68%</b>		<b>9.24%</b>

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 485,763			\$ 485,763		\$ 485,763	53.66%	10.50%	5.63%	11.50%	6.17%	12.50%
LONG TERM DEBT	\$ 235,120			\$ 235,120		\$ 235,120	25.97%	6.52%	1.69%	6.52%	1.69%	6.52%	1.69%
SHORT TERM DEBT	\$ 70,021			\$ 70,021		\$ 70,021	7.74%	1.34%	0.10%	1.34%	0.10%	1.34%	0.10%
SHORT TERM DEBT REFINANCED LTD	\$ 0			\$ 0		\$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 18,548			\$ 18,548		\$ 18,548	2.05%	6.57%	0.13%	6.57%	0.13%	6.57%	0.13%
DEFERRED TAXES	\$ 95,815			\$ 95,815		\$ 95,815	10.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$ 905,267</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 905,267</b>	<b>\$ 0</b>	<b>\$ 905,267</b>	<b>100.00%</b>		<b>7.55%</b>		<b>8.09%</b>		<b>8.63%</b>