



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

SEPTEMBER 17, 2012

HAND DELIVERY

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

Re: Florida Public Utilities Company/Gas & Electric – 2nd Quarter (2012) Earnings
Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the 2nd Quarter Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Electric and Natural Gas Divisions. 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

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
12 SEP 17 PM 4: 19
DIVISION OF
ACCOUNTING & FINANCE

MEK
Cc://Mr. John Slemkewicz ✓

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC
RATE OF RETURN REPORT SUMMARY
June 30, 2012

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	\$ 1,688,673	(\$274,379)	\$1,414,294	\$444,035	\$1,858,329
AVERAGE RATE BASE	\$38,238,388	\$116,660	\$38,355,048	\$589,146	\$38,944,194
AVERAGE RATE OF RETURN	4.42%		3.69%		4.77%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$1,688,673	(\$243,238)	\$1,445,435	\$444,035	\$1,889,470
YEAR-END RATE BASE	\$42,815,882	(\$1,884,282)	\$40,931,600	\$982,018	\$41,913,618
YEAR-END RATE OF RETURN	3.94%		3.53%		4.51%

III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		IV. FINANCIAL INTEGRITY INDICATORS	
LOW	6.54%	A. TIE WITH AFUDC	1.19
MIDPOINT	6.98%	B. TIE WITHOUT AFUDC	1.19
HIGH	7.41%	C. AFUDC TO NET INCOME	0.00
		D. INTERNALLY GENERATED FUNDS	89.75
		E. LTD TO TOTAL INVESTOR FUNDS	32.19
		F. STD TO TOTAL INVESTOR FUNDS	6.05
		G. RETURN ON COMMON EQUITY	3.46

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 per CM
Signature

2/17/2012
Date

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC
RATE OF RETURN REPORT SUMMARY
June 30, 2012

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	\$ 1,688,673	(\$274,379)	\$1,414,294	\$444,035	\$1,858,329
AVERAGE RATE BASE	\$38,238,388	\$116,660	\$38,355,048	\$589,146	\$38,944,194
AVERAGE RATE OF RETURN	4.42%		3.69%		4.77%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$1,688,673	(\$243,238)	\$1,445,435	\$444,035	\$1,889,470
YEAR-END RATE BASE	\$42,815,882	(\$1,884,282)	\$40,931,600	\$982,018	\$41,913,618
YEAR-END RATE OF RETURN	3.94%		3.53%		4.51%

III. REQUIRED RATES OF RETURN		IV. FINANCIAL INTEGRITY INDICATORS	
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		A. TIE WITH AFUDC	1.19
LOW	6.54%	B. TIE WITHOUT AFUDC	1.19
MIDPOINT	6.98%	C. AFUDC TO NET INCOME	0.00
HIGH	7.41%	D. INTERNALLY GENERATED FUNDS	89.75
		E. LTD TO TOTAL INVESTOR FUNDS	32.19
		F. STD TO TOTAL INVESTOR FUNDS	6.05
		G. RETURN ON COMMON EQUITY	3.46

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

Signature

Date

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC
AVERAGE RATE OF RETURN
For the 12 Months Ending June 30, 2012
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	\$89,821,888	(\$46,473,184)	\$43,348,704	\$0	\$594,519	\$43,943,223	(\$5,704,835)	\$38,238,388
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL			\$0			\$0	(\$67,966)	(\$67,966)
ELIM. NON UTILITY PLANT	(\$147,829)	\$107,659	(\$40,169)			(\$40,169)		(\$40,169)
ELIMINATE ACQUISITION ADJUST	\$224,796	\$0	\$224,796			\$224,796		\$224,796
TOTAL FPSC ADJUSTMENTS	\$76,967	\$107,659	\$184,627	\$0	\$0	\$184,627	(\$67,966)	\$116,660
FPSC ADJUSTED	\$89,898,856	(\$46,365,525)	\$43,533,331	\$0	\$594,519	\$44,127,850	(\$5,772,802)	\$38,355,048
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUE	\$89,898,856	(\$46,365,525)	\$43,533,331	\$0	\$594,519	\$44,127,850	(\$5,772,802)	\$38,355,048
PROFORMA ADJUSTMENTS								
REGULATORY ASSET - LITIGATION COSTS							589,146	\$589,146
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$589,146	\$589,146
PRO FORMA ADJUSTED	\$89,898,856	(\$46,365,525)	\$43,533,331	\$0	\$594,519	\$44,127,850	(\$5,183,656)	\$38,944,194

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC
AVERAGE RATE OF RETURN
For the 12 Months Ending June 30, 2012
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M FUEL 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	\$91,149,073	\$ 68,282,632	\$11,255,019	\$3,331,086	\$6,501,497	\$90,166				\$89,460,400	\$1,688,673
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH ADJUSTMENT						\$273,480				\$273,480	(\$273,480)
2) ELIMINATE FUEL REVENUES AND	\$ (67,573,028)	\$ (67,526,143)			(\$48,833)	\$751				(\$67,574,225)	\$1,197
3) ELIMINATE CONSERVATION	(\$760,415)	(\$756,476)			\$547	(\$1,731)				(\$757,659)	(\$2,756)
4)NON-UTILITY DEPRECIATION EXPENSE				(\$1,075)		\$415				(\$660)	\$660
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	<u>(\$68,333,443)</u>	<u>(\$68,282,619)</u>	<u>\$0</u>	<u>(\$1,075)</u>	<u>(\$48,286)</u>	<u>\$272,916</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$68,059,064)</u>	<u>(\$274,379)</u>
FPSC ADJUSTED	<u>\$22,815,630</u>	<u>\$13</u>	<u>\$11,255,019</u>	<u>\$3,330,011</u>	<u>\$6,453,211</u>	<u>\$363,082</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,401,336</u>	<u>\$1,414,294</u>
PRO FORMA ADJUSTMENTS											
ELIMINATE LITIGATION COSTS			(\$722,889)			\$278,854				(\$444,035)	\$444,035
TOTAL PRO FORMA ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	<u>(\$722,889)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$278,854</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$444,035)</u>	<u>\$444,035</u>
PRO FORMA ADJUSTED	<u>\$22,815,630</u>	<u>\$13</u>	<u>\$10,532,130</u>	<u>\$3,330,011</u>	<u>\$6,453,211</u>	<u>\$641,936</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,957,301</u>	<u>\$1,858,329</u>

FLORIDA PUBLIC UTILITIES COMPANY

ELECTRIC

YEAR END RATE OF RETURN

For the 12 Months Ending June 30, 2012

RATE BASE

SCHEDULE 3

PAGE 1 OF 2

	(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	\$91,827,626	(\$47,449,119)	\$44,378,507	\$0	\$1,262,097	\$45,640,604	(\$2,824,723)	\$42,815,882
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL			\$0			\$0	(\$1,770,402)	(\$1,770,402)
ELIM. NON UTILITY PLANT	(\$193,542)	\$79,662	(\$113,880)			(\$113,880)		(\$113,880)
ELIMINATE ACQUISITION ADJUSTI	\$0	\$0	\$0			\$0		\$0
TOTAL FPSC ADJUSTMENTS	(\$193,542)	\$79,662	(\$113,880)	\$0	\$0	(\$113,880)	(\$1,770,402)	(\$1,884,282)
FPSC ADJUSTED	\$91,634,084	(\$47,369,457)	\$44,264,627	\$0	\$1,262,097	\$45,526,724	(\$4,595,124)	\$40,931,600
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ RE'	\$91,634,084	(\$47,369,457)	\$44,264,627	\$0	\$1,262,097	\$45,526,724	(\$4,595,124)	\$40,931,600
PROFORMA ADJUSTMENTS								
REGULATORY ASSET - LITIGATION COSTS							\$982,018	\$982,018
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$982,018	\$982,018
PRO FORMA ADJUSTED	\$91,634,084	(\$47,369,457)	\$44,264,627	\$0	\$1,262,097	\$45,526,724	(\$3,613,106)	\$41,913,618

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC

YEAR END RATE OF RETURN

For the 12 Months Ending June 30, 2012

INCOME STATEMENT

SCHEDULE 3

PAGE 2 OF 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M FUEL 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	\$91,149,073	\$ 68,282,632	\$11,255,019	\$3,331,086	\$6,501,497	\$90,166				\$89,460,400	\$1,688,673
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH ADJUSTMENT						\$242,339				\$242,339	(\$242,339)
2) ELIMINATE FUEL REVENUES AND	\$ (67,573,028)	\$ (67,526,143)			(\$48,833)	\$751				(\$67,574,225)	\$1,197
3) ELIMINATE CONSERVATION	(\$760,415)	(\$756,476)			\$547	(\$1,731)				(\$757,659)	(\$2,756)
4)NON-UTILITY DEPRECIATION EXPENSE				(\$1,075)		\$415				(\$660)	\$660
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	<u>(\$68,333,443)</u>	<u>(\$68,282,619)</u>	<u>\$0</u>	<u>(\$1,075)</u>	<u>(\$48,286)</u>	<u>\$241,775</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$68,090,205)</u>	<u>(\$243,238)</u>
FPSC ADJUSTED	<u>\$22,815,630</u>	<u>\$13</u>	<u>\$11,255,019</u>	<u>\$3,330,011</u>	<u>\$6,453,211</u>	<u>\$331,941</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,370,195</u>	<u>\$1,445,435</u>
PRO FORMA ADJUSTMENTS											
ELIMINATE LITIGATION COSTS			(\$722,889)			\$278,854				(\$444,035)	\$444,035
TOTAL PRO FORMA ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	<u>(\$722,889)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$278,854</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$444,035)</u>	<u>\$444,035</u>
PRO FORMA ADJUSTED	<u>\$22,815,630</u>	<u>\$13</u>	<u>\$10,532,130</u>	<u>\$3,330,011</u>	<u>\$6,453,211</u>	<u>\$610,795</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$20,926,160</u>	<u>\$1,889,470</u>

FLORIDA PUBLIC UTILITIES COMPANY
 ELECTRIC
 CAPITAL STRUCTURE
 June 30, 2012
 FPSC ADJUSTED BASIS

SCHEDULE 4

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	\$16,657,525	(\$40,170)	\$16,617,355	(\$112,575)	\$224,796	\$16,729,576	43.62%	10.00%	4.36%	11.00%	4.80%	12.00%	5.23%
LONG TERM DEBT	\$8,682,658		\$8,682,658	37,556		\$8,720,214	22.74%	6.77%	1.54%	6.77%	1.54%	6.77%	1.54%
SHORT TERM DEBT	\$1,630,480		\$1,630,480	7,053		\$1,637,533	4.27%	1.26%	0.05%	1.26%	0.05%	1.26%	0.05%
STD REFINANCED LTD	\$0		\$0	-		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,709,685		\$3,709,685			\$3,709,685	9.67%	6.06%	0.59%	6.06%	0.59%	6.06%	0.59%
DEFERRED INCOME TAXES	\$7,545,724		\$7,545,724			\$7,545,724	19.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$12,316		\$12,316			\$12,316	0.03%	5.95%	0.00%	6.39%	0.00%	6.82%	0.00%
TOTAL AVERAGE	\$38,238,388	(\$40,170)	\$38,198,218	(\$67,966)	\$224,796	\$38,355,048	100.00%		6.54%		6.98%		7.41%

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	\$20,498,740	(\$113,880)	\$20,384,860	(\$1,101,766)	\$0	\$19,283,094	47.11%	10.00%	4.71%	11.00%	5.18%	12.00%	5.65%
LONG TERM DEBT	\$10,087,115		\$10,087,115	(\$598,201)		\$9,488,914	23.18%	7.01%	1.63%	7.01%	1.63%	7.01%	1.63%
SHORT TERM DEBT	\$1,187,694		\$1,187,694	(\$70,435)		\$1,117,259	2.73%	2.07%	0.06%	2.07%	0.06%	2.07%	0.06%
STD REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,540,725		\$3,540,725			\$3,540,725	8.65%	6.32%	0.55%	6.32%	0.55%	6.32%	0.55%
DEFERRED INCOME TAXES	\$7,495,755		\$7,495,755			\$7,495,755	18.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$5,853		\$5,853			\$5,853	0.01%	6.40%	0.00%	6.87%	0.00%	7.34%	0.00%
TOTAL YEAR-END	\$42,815,882	(\$113,880)	\$42,702,002	(\$1,770,402)	\$0	\$40,931,600	100.00%		6.95%		7.42%		7.89%