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DIVISION OF
ACCOUNTING & FINANCE

August 8, 2014

HAND DELIVERY

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

Re: Florida Public Utilities Company (Electric and all Gas Divisions), and Central Florida Gas (Florida Division of Chesapeake Utilities Corporation) 2nd Quarter Surveillance Reports

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3) and 25-7.1352(3), F.A.C., Florida Public Utilities Company (Electric Division and all Natural Gas Divisions), as well as the Florida Division of Chesapeake Utilities Corporation, hereby submit the required 2nd Quarter Earnings Surveillance Reports for 2014, along with an additional copy of each report.

As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

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

cc: Bart Fletcher

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 June 30, 2014

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	\$ 7,877,322	(\$104,320)	\$7,773,002	\$1,581,504	\$9,354,506
AVERAGE RATE BASE	\$130,793,361	\$2,141,147	\$132,934,508	(\$29,914,196)	\$103,020,312
AVERAGE RATE OF RETURN	6.02%		5.85%		9.08%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$7,877,322	(\$156,552)	\$7,720,770	\$1,581,504	\$9,302,274
YEAR-END RATE BASE	\$143,659,966	\$2,251,485	\$145,911,451	(\$29,061,938)	\$116,849,513
YEAR-END RATE OF RETURN	5.48%		5.29%		7.96%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	6.40%		A. INCL ACQUISITION ADJUSTMENT		8.64%
MIDPOINT	6.86%		B. EXCL ACQUISITION ADJUSTMENT		17.11%
HIGH	7.32%				

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 Cheryl 8/7/2014
 Signature Date

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
AVERAGE RATE OF RETURN
 For the 12 Months Ending June 30, 2014
 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	\$187,651,143	(\$58,596,087)	\$129,055,057	\$0	\$9,035,814	\$138,090,871	(\$7,297,509)	\$130,793,361
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY RECEIVABLES	\$0	\$0	\$0			\$0	\$376,941	\$376,941
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
3) ELIM. NON-UTILITY PLANT	(\$2,210,038)	\$833,171	(\$1,376,867)			(\$1,376,867)		(\$1,376,867)
	\$0	\$0	\$0			\$0	\$0	\$0
	\$0	\$0	\$0			\$0	\$5,610,755	\$5,610,755
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS								
TOTAL FPSC ADJUSTMENTS	(\$4,679,720)	\$833,171	(\$3,846,549)	\$0	\$0	(\$3,846,549)	\$5,987,696	\$2,141,147
FPSC ADJUSTED	\$182,971,423	(\$57,762,915)	\$125,208,508	\$0	\$9,035,814	\$134,244,322	(\$1,309,813)	\$132,934,508
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$182,971,423	(\$57,762,915)	\$125,208,508	\$0	\$9,035,814	\$134,244,322	(\$1,309,813)	\$132,934,508
PROFORMA ADJUSTMENTS								
			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$33,022,923)	\$3,579,384	(\$29,443,539)			(\$29,443,539)		(\$29,443,539)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$470,657)	(\$470,657)
TOTAL PRO FORMA ADJUSTMENTS	(\$33,022,923)	\$3,579,384	(\$29,443,539)	\$0	\$0	(\$29,443,539)	(\$470,657)	(\$29,914,196)
PRO FORMA ADJUSTED	\$149,948,500	(\$54,183,531)	\$95,764,969	\$0	\$9,035,814	\$104,800,783	(\$1,780,470)	\$103,020,312

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending June 30, 2014
 RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$198,251,473	(\$61,506,109)	\$136,745,363	\$0	\$12,675,657	\$149,421,020	(\$5,761,054)	\$143,659,966
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY RECEIVABLES	\$0	\$0	\$0			\$0	\$424,662	\$424,662
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
3) ELIM. NON-UTILITY PLANT	(\$2,170,456)	\$855,892	(\$1,314,564)			(\$1,314,564)		(\$1,314,564)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$0	\$5,611,069	\$5,611,069
TOTAL FPSC ADJUSTMENTS	(\$4,640,138)	\$855,892	(\$3,784,246)	\$0	\$0	(\$3,784,246)	\$6,035,731	\$2,251,485
FPSC ADJUSTED	\$193,611,335	(\$60,650,218)	\$132,961,117	\$0	\$12,675,657	\$145,636,774	\$274,676	\$145,911,451
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$193,611,335	(\$60,650,218)	\$132,961,117	\$0	\$12,675,657	\$145,636,774	\$274,676	\$145,911,451
ELIM. ACQUISITION ADJUSTMENT	(\$33,347,895)	\$4,474,230	(\$28,873,665)			(\$28,873,665)		(\$28,873,665)
ELIM. REG ASSET-TRANSCN & TRANSITN CSTS							(\$188,273)	(\$188,273)
TOTAL PRO FORMA ADJUSTMENTS	(\$33,347,895)	\$4,474,230	(\$28,873,665)	\$0	\$0	(\$28,873,665)	(\$188,273)	(\$29,061,938)
PRO FDRMA ADJUSTED	\$160,263,440	(\$56,175,988)	\$104,087,452	\$0	\$12,675,657	\$116,763,109	\$86,403	\$116,849,513

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	\$61,418,751	(\$1,376,867)	\$60,041,884	\$3,467,561	(\$2,469,682)	\$61,039,763	45.92%	9.85%	4.52%	10.85%	4.98%	11.85%
LONG TERM DEBT - CU	\$21,270,702		\$21,270,702	\$1,200,895		\$22,471,596	16.90%	5.61%	0.95%	5.61%	0.95%	5.61%	0.95%
SHORT TERM DEBT	\$12,294,768		\$12,294,768	\$694,134		\$12,988,902	9.77%	1.11%	0.11%	1.11%	0.11%	1.11%	0.11%
LONG TERM DEBT - FC	\$4,611,456		\$4,611,456	\$260,352		\$4,871,808	3.67%	13.06%	0.48%	13.06%	0.48%	13.06%	0.48%
SHORT TERM DEBT - REFINANCED LTD	\$6,460,668		\$6,460,668	\$364,754		\$6,825,422	5.13%	4.17%	0.21%	4.17%	0.21%	4.17%	0.21%
CUSTOMER DEPOSITS	\$7,323,356		\$7,323,356			\$7,323,356	5.51%	2.43%	0.13%	2.43%	0.13%	2.43%	0.13%
DEFERRED INCOME TAXES	\$17,402,915		\$17,402,915			\$17,402,915	13.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$10,745		\$10,745			\$10,745	0.01%	6.06%	0.00%	6.52%	0.00%	6.98%	0.00%
TOTAL AVERAGE	\$130,793,361	(\$1,376,867)	\$129,416,494	\$5,987,695	(\$2,469,682)	\$132,934,507	100.00%		6.40%		6.86%		7.32%

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	\$68,217,213	(\$1,314,564)	\$66,902,649	\$3,506,467	(\$2,469,682)	\$67,939,434	46.56%	9.85%	4.59%	10.85%	5.05%	11.85%
LONG TERM DEBT - CU	\$33,585,947		\$33,585,947	\$1,726,368		\$35,312,314	24.20%	3.96%	0.96%	3.96%	0.96%	3.96%	0.96%
SHORT TERM DEBT	\$10,932,681		\$10,932,681	\$561,956		\$11,494,637	7.88%	1.32%	0.10%	1.32%	0.10%	1.32%	0.10%
LONG TERM DEBT - FC	\$4,687,407		\$4,687,407	\$240,939		\$4,928,347	3.38%	12.94%	0.44%	12.94%	0.44%	12.94%	0.44%
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$7,338,936		\$7,338,936			\$7,338,936	5.03%	2.42%	0.12%	2.42%	0.12%	2.42%	0.12%
DEFERRED INCOME TAXES	\$18,891,499		\$18,891,499			\$18,891,499	12.95%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$6,283		\$6,283			\$6,283	0.00%	6.09%	0.00%	6.55%	0.00%	7.02%	0.00%
TOTAL YEAR-END	\$143,659,966	(\$1,314,564)	\$142,345,402	\$6,035,730	(\$2,469,682)	\$145,911,450	100.00%		6.21%		6.67%		7.14%