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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

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
12 SEP 17 PH 3: 37  
DIVISION OF  
ACCOUNTING & FINANCE

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

Dear Mr. Willis:

Enclosed, please find the 2<sup>nd</sup> Quarter Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Indiantown Division, as well as the 2<sup>nd</sup> Quarter ESR for the Florida Division of Chesapeake Utilities Corporation. 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

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 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
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 3,327,247	(\$61,744)	\$3,265,502	\$0	\$3,265,502
AVERAGE RATE BASE	\$44,520,928	(\$1,002,349)	\$43,518,579	\$0	\$43,518,579
AVERAGE RATE OF RETURN	7.47%		7.50%		7.50%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$3,327,247	(\$57,622)	\$3,269,625	\$0	\$3,269,625
YEAR-END RATE BASE	\$44,546,680	(\$926,903)	\$43,619,777	\$0	\$43,619,777
YEAR-END RATE OF RETURN	7.47%		7.50%		7.50%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	6.81%				
MIDPOINT	7.32%				
HIGH	7.81%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
			A.	INCL COMP RATE ADJ REVENUES	11.22%
			B.	EXCL COMP RATE ADJ REVENUES	11.22%

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 Martin  
 Director, Regulatory Affairs

*Cheryl Martin*  
 Signature

9/14/12  
 Date

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 June 30, 2012

SCHEDULE 1

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LOW	6.81%		A.	INCL COMP RATE ADJ REVENUES	11.22%
MIDPOINT	7.32%		B.	EXCL COMP RATE ADJ REVENUES	11.22%
HIGH	7.81%				

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Cheryl Martin  
 Director, Regulatory Affairs

Signature

Date

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending June 30, 2012  
 RATE BASE

SCHEDULE 2  
 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	\$65,894,321	(\$23,273,475)	\$42,620,845	\$0	\$321,569	\$42,942,414	\$1,578,514	\$44,520,928
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							(\$651,126)	(\$651,126)
ELIMINATE ACQUISITION ADJ.	\$0	\$0	\$0			\$0		\$0
ELIM. FRANCHISE/CONSENT		\$10,443	\$10,443			\$10,443		\$10,443
ELIM. COMMON PLANT	(\$287,092)	\$117,672	(\$169,420)			(\$169,420)		(\$169,420)
FLEXIBLE GAS SERVICE	(\$259,136)	\$75,894	(\$183,243)			(\$183,243)	(\$9,004)	(\$192,247)
TOTAL FPSC ADJUSTMENTS	(\$546,228)	\$204,009	(\$342,220)	\$0	\$0	(\$342,220)	(\$860,130)	(\$1,002,349)
FPSC ADJUSTED	\$65,348,092	(\$23,069,467)	\$42,278,626	\$0	\$321,569	\$42,600,195	\$918,384	\$43,518,579
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$65,348,092	(\$23,069,467)	\$42,278,626	\$0	\$321,569	\$42,600,195	\$918,384	\$43,518,579
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$65,348,092	(\$23,069,467)	\$42,278,626	\$0	\$321,569	\$42,600,195	\$918,384	\$43,518,579

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending June 30, 2012  
 INCOME STATEMENT

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	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	\$15,578,354	\$ 1,039,263	\$6,441,678	\$2,374,615	\$802,696	\$1,592,855				\$12,251,107	\$3,327,247
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$20,600)				(\$20,600)	\$20,600
2) Acquisition adjust.						\$0				\$0	\$0
3) Out of Period Adjustments			\$0			\$0				\$0	\$0
4) Elim. Property Tax - Common Plant					(\$3,766)	\$1,453				(\$2,313)	\$2,313
5) Elim. amort org costs				(\$424)		\$164				(\$260)	\$260
6) Elim Economic Dev. Expense			\$0			\$0				\$0	\$0
7) Elim. Depreciation Exp. Common Plant				(\$19,601)		\$7,561				(\$12,040)	\$12,040
8) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
9) Elim. Ind. Assoc dues						\$0				\$0	\$0
10) Elim charitable contributions			\$0			\$0				\$0	\$0
11) Elim. Social Activities			\$0			\$0				\$0	\$0
12) Elim. promotional expenses			\$0			\$0				\$0	\$0
13) Elim. Civic Dues			\$0			\$0				\$0	\$0
14) Interest Income	(\$554)					(\$214)				(\$214)	(\$340)
15) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$389,752)	(\$389,752)				\$0				(\$389,752)	\$0
16) Elim. Conservation Rev & Exp.	(\$709,087)	(\$649,510)				(\$22,982)				(\$672,492)	(\$36,595)
17) Elim. PGA Expenses		\$0				\$0				\$0	\$0
18) Elim. PGA Revenues	\$0					\$0				\$0	\$0
19) Elim. Flexible Gas Service	(\$156,600)		(\$45,184)	(\$10,104)	(\$3,596)	(\$37,694)				(\$96,578)	(\$60,022)
TOTAL FPSC ADJUSTMENTS	(\$1,255,994)	(\$1,039,262)	(\$45,184)	(\$30,128)	(\$7,363)	(\$72,312)	\$0	\$0	\$0	(\$1,194,249)	(\$81,744)
FPSC ADJUSTED	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,520,543	\$0	\$0	\$0	\$11,056,858	\$3,265,502
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,520,543	\$0	\$0	\$0	\$11,056,858	\$3,265,502
PROFORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,520,543	\$0	\$0	\$0	\$11,056,858	\$3,265,502

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 YEAR END 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	\$65,725,837	(\$23,183,633)	\$42,542,203	\$0	\$321,569	\$42,863,772	\$1,682,908	\$44,546,680
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.							(\$546,353)	(\$546,353)
ELIM. FRANCHISE/CONSENT		\$10,655	\$10,655			\$10,655		\$10,655
ELIM. COMMON PLANT	(\$290,576)	\$127,822	(\$162,754)			(\$162,754)		(\$162,754)
FLEXIBLE GAS SERVICE	(\$259,136)	\$39,689	(\$219,447)			(\$219,447)	(\$9,004)	(\$228,451)
TOTAL FPSC ADJUSTMENTS	(\$549,712)	\$178,166	(\$371,546)	\$0	\$0	(\$371,546)	(\$555,357)	(\$926,903)
FPSC ADJUSTED	\$65,176,124	(\$23,005,467)	\$42,170,657	\$0	\$321,569	\$42,492,226	\$1,127,551	\$43,619,777
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$65,176,124	(\$23,005,467)	\$42,170,657	\$0	\$321,569	\$42,492,226	\$1,127,551	\$43,619,777
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$65,176,124	(\$23,005,467)	\$42,170,657	\$0	\$321,569	\$42,492,226	\$1,127,551	\$43,619,777

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 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 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	\$15,578,354	\$ 1,039,263	\$6,441,678	\$2,374,615	\$802,696	\$1,592,855				\$12,251,107	\$3,327,247
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$24,722)				(\$24,722)	\$24,722
2) Acquisition adjust.						\$0				\$0	\$0
3) Out of Period Adjustments			\$0			\$0				\$0	\$0
4) Elim. Property Tax - Common Plant						\$1,453				(\$2,313)	\$2,313
5) Elim. amort org costs				(\$424)	(\$3,766)	\$164				(\$260)	\$260
6) Elim Economic Dev. Expense			\$0			\$0				\$0	\$0
7) Elim. Depreciation Exp. Common Plant			\$0	(\$19,601)		\$7,561				(\$12,040)	\$12,040
8) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
9) Elim. Ind. Assoc dues			\$0			\$0				\$0	\$0
10) Elim charitable contributions			\$0			\$0				\$0	\$0
11) Elim. Social Activities			\$0			\$0				\$0	\$0
12) Elim. promotional expenses			\$0			\$0				\$0	\$0
13) Elim. Civic Dues			\$0			\$0				\$0	\$0
14) Interest Income	(\$554)					(\$214)				(\$214)	(\$340)
15) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$389,752)	(\$389,752)				\$0				(\$389,752)	\$0
16) Elim. Conservation Rev & Exp.	(\$709,087)	(\$649,510)				(\$22,982)				(\$672,492)	(\$36,595)
17) Elim. PGA Expenses		\$0				\$0				\$0	\$0
18) Elim. PGA Revenues	\$0					\$0				\$0	\$0
19) Elim. Flexible Gas Service	(\$156,600)		(\$45,184)	(\$10,104)	(\$3,596)	(\$37,694)				(\$96,578)	(\$60,022)
TOTAL FPSC ADJUSTMENTS	(\$1,255,994)	(\$1,039,262)	(\$45,184)	(\$30,128)	(\$7,363)	(\$76,434)	\$0	\$0	\$0	(\$1,198,372)	(\$57,622)
FPSC ADJUSTED	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,516,421	\$0	\$0	\$0	\$11,052,735	\$3,269,625
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,516,421	\$0	\$0	\$0	\$11,052,735	\$3,269,625
PROFORM ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$14,322,360	\$1	\$6,396,494	\$2,344,487	\$795,333	\$1,516,421	\$0	\$0	\$0	\$11,052,735	\$3,269,625

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 CAPITAL STRUCTURE  
 June 30, 2012  
 FPSC ADJUSTED BASIS

SCHEDULE 4

AVERAGE	ADJUSTMENTS		ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$22,228,358	\$0	\$22,228,358	\$0	(\$646,873)	\$21,581,485	49.59%	9.80%	4.86%	10.80%	5.36%	11.80%	5.85%
LONG TERM DEBT	\$10,039,368	\$0	\$10,039,368	\$0	(\$292,159)	\$9,747,209	22.40%	7.82%	1.75%	7.82%	1.75%	7.82%	1.75%
SHORT TERM DEBT	\$2,175,767	\$0	\$2,175,767	\$0	(\$63,317)	\$2,112,450	4.85%	1.26%	0.06%	1.26%	0.06%	1.26%	0.06%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	6.33%	0.00%	6.33%	0.00%	1.26%	0.00%
CUSTOMER DEPOSITS	\$947,963	\$0	\$947,963	\$0	\$0	\$947,963	2.18%	6.00%	0.13%	6.00%	0.13%	6.00%	0.13%
DEFERRED INCOME TAXES	\$9,035,756	\$0	\$9,035,756	\$0	\$0	\$9,035,756	20.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$93,717	\$0	\$93,717	\$0	\$0	\$93,717	0.22%	6.67%	0.01%	7.17%	0.02%	7.66%	0.02%
<b>TOTAL AVERAGE</b>	<b>\$44,520,929</b>	<b>\$0</b>	<b>\$44,520,929</b>	<b>\$0</b>	<b>(\$1,002,349)</b>	<b>\$43,518,580</b>	<b>100.00%</b>		<b>6.81%</b>		<b>7.32%</b>		<b>7.81%</b>

YEAR-END	ADJUSTMENTS		ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$22,994,881	\$0	\$22,994,881	\$0	(\$623,557)	\$22,371,324	51.29%	9.80%	5.03%	10.80%	5.54%	11.80%	6.05%
LONG TERM DEBT	\$9,854,173	\$0	\$9,854,173	\$0	(\$267,217)	\$9,586,956	21.98%	8.04%	1.77%	8.04%	1.77%	8.04%	1.77%
SHORT TERM DEBT	\$1,332,320	\$0	\$1,332,320	\$0	(\$36,129)	\$1,296,191	2.97%	2.07%	0.06%	2.07%	0.06%	2.07%	0.06%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$942,611	\$0	\$942,611	\$0	\$0	\$942,611	2.16%	6.00%	0.13%	6.00%	0.13%	6.00%	0.13%
DEFERRED INCOME TAXES	\$9,338,741	\$0	\$9,338,741	\$0	\$0	\$9,338,741	21.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$83,955	\$0	\$83,955	\$0	\$0	\$83,955	0.19%	6.86%	0.01%	7.37%	0.01%	7.88%	0.02%
<b>TOTAL YEAR-END</b>	<b>\$44,546,681</b>	<b>\$0</b>	<b>\$44,546,681</b>	<b>\$0</b>	<b>(\$926,903)</b>	<b>\$43,619,778</b>	<b>100.00%</b>		<b>7.00%</b>		<b>7.51%</b>		<b>8.03%</b>