

December 17, 2012

Mr. John Siemkewicz Supervisor Electric & Gas Accounting Florida Public Service Commission 2540 Shumard Blvd. Tallahassee, Florida 32399-0950

Dear Mr. Slemkewicz:

Subject: Earnings Surveillance Report

Enclosed is the earnings surveillance report (Schedules 1 through 4) for Florida Public Utilities' Consolidated Electric divisions and Consolidated Gas divisions, for the twelve months ended September 30, 2012.

If you have any questions, or need additional information, please let me know.

Sincerely,

Curtis D. Young

Senior Regulatory Analyst

Cc:

Martin, Cheryl (all)

Gunster, Yoakley & Stewart PA-Keating, Beth (all)

Gulf Power Company-Buck, William G. (all Electric only)

Cutshaw, Mark (all Electric only)

Shelley, Buddy (all Electric only)

SJ 45-69 (all)

DIVISION OF ACCOUNTING & FINANCE

FLORIDA PUBLIC SERVIC COMMISSION 12 DEC 18 PM 5: 12 FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC RATE OF RETURN REPORT SUMMARY September 30, 2012

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 1,482,128	\$264,687	\$1,746,815	\$0	\$1,746,815
AVERAGE RATE BASE	\$40,665,117	\$759,585	\$41,424,702	\$0	\$41,424,702
AVERAGE RATE OF RETURN	3.64%		4.22%		4.22%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$1,482,128	\$315,330	\$1,797,458	\$0	\$1,797,458
YEAR-END RATE BASE	\$46,992,618	\$713,595	\$47,706,213	\$0	\$47,706,213
YEAR-END RATE OF RETURN	3.15%		3.77%		3.77%
III. REQUIRED RATES OF RETURN		IV. FINANCIA	L INTEGRITY INDICATORS		
AVERAGE CAPITAL STRUCTURE		A. TIE WITH A	AFUDC	0.94	
(FPSC ADJUSTED BASIS)		B. TIE WITHO	OUT AFUDC	0.94	
LOW	6.62%	C. AFUDC TO	NET INCOME	0.00	
MIDPOINT	7.07%	D. INTERNAL	LY GENERATED FUNDS	84.55	
HIGH	7.53%	E. LTD TO TO	TAL INVESTOR FUNDS	31.36	
		F. STD TO TO	TAL INVESTOR FUNDS	6.65	
		G. RETURN O	N COMMON EQUITY	4.69	
I am aware that Section 837.06, Florida Statutes, prov	rides:				

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

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending September 30, 2012 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	\$90,850,025	(\$47,064,072)	\$43,785,953	\$0	\$1,003,936	\$44,789,889	(\$4,124,772)	\$40,665,117
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIM. NON UTILITY PLANT ELIMINATE ACQUISITION ADJUSTMENT REGULATORY ASSET - LITIGATION COSTS	(\$170,321) \$112,398	\$78,975 \$0	\$0 (\$91,346) \$112,398			\$0 (\$91,346) \$112,398	(\$40,334) \$778,867	(\$40,334) (\$91,346) \$112,398 \$778,867
REGULATORY ASSET - ETTIGATION COSTS							\$778,007	\$778,867
TOTAL FPSC ADJUSTMENTS	(\$57,923)	\$78,975	\$21,052	\$0	\$0	\$21,052	\$738,533	\$759,585
FPSC ADJUSTED	\$90,792,102	(\$46,985,097)	\$43,807,004	\$0	\$1,003,936	\$44,810,940	(\$3,386,239)	\$41,424,702
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0_	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$90,792,102	(\$46,985,097)	\$43,807,004	\$0	\$1,003,936	\$44,810,940	(\$3,386,239)	\$41,424,702
PROFORMA ADJUSTMENTS								\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 \$0
PRO FORMA ADJUSTED	\$90,792,102	(\$46,985,097)	\$43,807,004	\$0	\$1,003,936	\$44,810,940	(\$3,386,239)	\$41,424,702

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC

AVERAGE RATE OF RETURN
For the 12 Months Ending September 30, 2012
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	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)	ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
PER BOOKS	\$88,135,252	\$ 65,482,534	\$11,448,711	\$3,274,931	\$6,463,232	(\$16,284)				\$86,653,124	\$1,482,128
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4)NON-UTILITY DEPRECIATION EXPENSE 5) ELIMINATE LITIGATION COSTS	\$ (64,781,950) (\$748,637)	\$ (64,734,734) (\$747,800)	(\$833,666)	(\$1,149)	(\$48,041) \$539	\$247,760 \$318 (\$531) \$443 \$321,587 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				\$247,760 (\$64,782,457) (\$747,792) (\$706) (\$512,079) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	(\$247,760) \$507 (\$845) \$706 \$512,079 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$65,530,587)	(\$65,482,534)	(\$833,666)	(\$1,149)	(\$47,502)	\$569,\$78	\$0	\$0	\$0	(\$65,795,274)	\$264,687
FPSC ADJUSTED	\$22,604,665	\$0	\$10,615,045	\$3,273,782	\$6,415,730	\$553,294	\$0	\$0	\$0	\$20,857,850	\$1,746,815
PRO FORMA ADJUSTMENTS ELIMINATE LITIGATION COSTS						\$0				\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$22,604,665	\$0	\$10,615,045	\$3,273,782	\$6,415,730	\$553,294	\$0	\$0	\$0	\$20,857,850	\$1,746,815

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending September 30, 2012 RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(S) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$92,766,963	(\$48,328,204)	\$44,438,759	\$0	\$2,510,998	\$46,949,757	\$42,861	\$46,992,618
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIM. NON UTILITY PLANT	(\$193,814) \$0	\$81,277 \$0	\$0 (\$112,537) \$0			\$0 (\$112,537) \$0	(\$412,134)	(\$412,134) (\$112,537) \$0
ELIMINATE ACQUISITION ADJUSTMENT REGULATORY ASSET - LITIGATION COSTS	\$ 0	50	30			3 0	\$1,238,266	\$1,23 8 ,266
TOTAL FPSC ADJUSTMENTS	(\$193,814)	\$81,277	(\$112,537)	\$0	\$0	(\$112,537)	\$826,132	\$713,595
FPSC ADJUSTED	\$92,573,150	(\$48,246,927)	\$44,326,223	<u> </u>	\$2,510,998	\$46,837,221	\$868,993	\$47,706,213
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE AOJ REVENUE	\$92,573,150	(\$48,246,927)	\$44,326,223	\$0	\$2,510,998	\$46,837,221	\$868,993	\$47,706,213
PROFORMA ADJUSTMENTS	0							\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 \$0
PRO FORMA ADJUSTED	\$92,573,150	(\$48,246,927)	\$44,326,223	\$0	\$2,510,998	\$46,837,221	\$868,993	\$47,706,213

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending September 30, 2012 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	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)	ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
PER BOOKS	\$88,135,252	\$ 65,482,534	\$11,448,711	\$3,274,931	\$6,463,232	(\$16,284)				\$86,653,124	\$1,482,128
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMIMATE FUEL REVENUES AND EXPENSES 3) ELIMIMATE CONSERVATION 4)NON-UTILITY DEPRECIATION EXPENSE 5)ELIMINATE UTIGATION COSTS	\$ (64,781,950) (\$748,637)	\$ (64,734,734) (\$747,800)	(\$833,666)	(\$1,149)	(\$48,041) \$539	\$197,117 \$318 (\$531) \$443 \$321,587 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				\$197,117 (\$64,782,457) (\$747,792) (\$706) (\$512,079) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	(\$197.117) \$507 (\$845) \$706 \$512,079 \$50 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$65,530,587)	(\$65,482,534)	(\$833,666)	(\$1,149)	(\$47,502)	\$518,935	\$0	\$0	- \$0	(\$65,845,917)	\$315,330
FPSC ADJUSTED	\$22,604,665	\$0	\$10,615,045	\$3,273,782	\$6,415,730	\$502,651	\$0	\$0	\$0	\$20,807,207	\$1,797,458
PRO FORMA ADJUSTMENTS ELIMINATE LITIGATION COSTS			\$0			\$0				\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	<u>so</u>	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$22,604,665	\$0	\$10,615,045	\$3,273,782	\$6,415,730	\$502,651	\$0	\$0	\$0	\$20,807,207	\$1,797,458

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

							LOV	V POINT	МІ	DPOINT	HIGH POINT	
PER BOOKS	ADJUSTMENTS NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
\$18,297,922	(\$91,346)	\$18,206,576	\$449,812	\$112,398	\$18,768,786	45.31%	10.00%	4.53%	11.00%	4.98%	12.00%	5.44%
\$9,256,176		\$9,256,176	238,191		\$9,494,367	22.92%	6.75%	1.55%	6.75%	1.55%	6.75%	1.55%
\$1,963,580		\$1,963,580	50,529		\$2,014,109	4.86%	1.32%	0.06%	1.32%	0.06%	1.32%	0.06%
\$0		\$0	-		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$3,623,178		\$3,623,178			\$3,623,178	8.75%	5.53%	0.48%	5.53%	0.48%	5.53%	0.48%
\$7,515,176		\$7,515,176			\$7,515,176	18.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$9,085		\$9,085			\$9,085	0.02%	6.14%	0.00%	6.59%	0.00%	7.05%	0.00%
\$40,665,117	(\$91,346)	\$40,573,771	\$738,533	\$112,398	\$41,424,702	100.00%		6.62%		7.07%		7.53%
	\$18,297,922 \$9,256,176 \$1,963,580 \$0 \$3,623,178 \$7,515,176 \$9,085	\$18,297,922 (\$91,346) \$9,256,176 \$1,963,580 \$0 \$3,623,178 \$7,515,176 \$9,085	PER BOOKS NON-UTILITY ADJUSTED BOOKS \$18,297,922 (\$91,346) \$18,206,576 \$9,256,176 \$9,256,176 \$1,963,580 \$1,963,580 \$0 \$0 \$3,623,178 \$3,623,178 \$7,515,176 \$7,515,176 \$9,085 \$9,085	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA \$18,297,922 (\$91,346) \$18,206,576 \$449,812 \$9,256,176 \$9,256,176 238,191 \$1,963,580 \$1,963,580 50,529 \$0 \$0 - \$3,623,178 \$3,623,178 \$7,515,176 \$7,515,176 \$9,085 \$9,085	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC \$18,297,922 (\$91,346) \$18,206,576 \$449,812 \$112,398 \$9,256,176 \$9,256,176 238,191 \$1,963,580 50,529 \$0 \$0 - \$3,623,178 \$3,623,178 \$7,515,176 \$7,515,176 \$9,085 \$9,085	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE \$18,297,922 (\$91,346) \$18,206,576 \$449,812 \$112,398 \$18,768,786 \$9,256,176 \$9,256,176 238,191 \$9,494,367 \$1,963,580 \$1,963,580 50,529 \$2,014,109 \$0 \$0 - \$0 \$3,623,178 \$3,623,178 \$3,623,178 \$7,515,176 \$7,515,176 \$7,515,176 \$9,085 \$9,085 \$9,085	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO (%) \$18,297,922 (\$91,346) \$18,206,576 \$449,812 \$112,398 \$18,768,786 45.31% \$9,256,176 \$9,256,176 238,191 \$9,494,367 22.92% \$1,963,580 \$1,963,580 50,529 \$2,014,109 4.86% \$0 \$0 - \$0 0.00% \$3,623,178 \$3,623,178 \$3,623,178 8.75% \$7,515,176 \$7,515,176 \$7,515,176 18.14% \$9,085 \$9,085 \$9,085 0.02%	ADJUSTMENTS ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATE (%) RATE (%)	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO (%) RATE (%) COST (%) \$18,297,922 (\$91,346) \$18,206,576 \$449,812 \$112,398 \$18,768,786 45.31% 10.00% 4.53% \$9,256,176 \$9,256,176 238,191 \$9,494,367 22.92% 6.75% 1.55% \$1,963,580 \$1,963,580 50,529 \$2,014,109 4.86% 1.32% 0.06% \$0 \$0 \$0 \$0 \$0 0.00% 0.00% 0.00% \$3,623,178 \$3,623,178 \$3,623,178 8.75% 5.53% 0.48% \$7,515,176 \$7,515,176 \$7,515,176 18.14% 0.00% 0.00% \$9,085 \$9,085 \$9,085 0.02% 6.14% 0.00%	ADJUSTMENTS	ADJUSTMENTS ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO RATE COST (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (%) (ADJUSTMENTS ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO RATE COST COST RATE COST RATE COST COST

								LO	N POINT	M	DPOINT	HIG	SH POINT
YEAR-END	PER BOOKS	ADJUSTMENTS NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$21,900,037	(\$112,537)	\$21,787,500	\$549,799	\$0	\$22,337,299	46.82%	10.00%	4.68%	11.00%	5.15%	12.00%	5.62%
LONG TERM DEBT	\$10,922,099		\$10,922,099	\$218,073		\$11,140,172	23.35%	6.86%	1.60%	6.86%	1.60%	6.86%	1.60%
SHORT TERM DEBT	\$2,917,919		\$2,917,919	\$58,260		\$2,976,179	6.24%	1.06%	0.07%	1.06%	0.07%	1.06%	0.07%
STD REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,449,350		\$3,449,350			\$3,449,350	7.23%	5.77%	0.42%	5.77%	0.42%	5.77%	0.42%
DEFFERED INCOME TAXES	\$7,800,591		\$7,800,591			\$7,800,591	16.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$2,622		\$2,622			\$2,622	0.01%	6.35%	0.00%	6.82%	0.00%	7.29%	0.00%

TOTAL YEAR-END	\$46,992,618	(\$112,537)	\$46,880,081	\$826,132	\$0	\$47,706,213	100.00%	4	6.77%	·	7.24%		7.71%