

May 16, 2014

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DIVISION OF
ACCOUNTING & FINANCI

## VIA HAND DELIVERY

Mr. Andrew Maurey Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

Re: Florida Public Utilities Company (Electric and Gas Divisions) 1<sup>st</sup> 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 hereby submits the required 1<sup>st</sup> Quarter Earnings Surveillance Reports for 2014.

Thank you for accepting this filing today, and if you have any questions, please do not hesitate to let me know.

Şincerely,

Beth Keating

cc: Bart Fletcher WPB\_ACTIVE 5920471.1

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC RATE OF RETURN REPORT SUMMARY March 31, 2014

I. AVERAGE RATE OF RETURN	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
(JURISDICTIONAL)					
NET OPERATING INCOME	\$ 1,988,824	(\$152,705)	\$1,836,119	\$0	\$1,836,119
AVERAGE RATE BASE	\$54,048,135	(\$14,923)	\$54,033,211	\$0	\$54,033,211
AVERAGE RATE OF RETURN	3.68%		3,40%		3.40%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					•
NET OPERATING INCOME	\$1,988,824	(\$167,985)	\$1,820,839	<u>\$0</u>	\$1,820,839
YEAR-END RATE BASE	\$55,572,920	(\$1,962,670)	\$53,610,250	<u>\$0</u>	\$53,610,250
YEAR-END RAYE OF RETURN	3.58%		3.40%		3.40%
		IV. FINANC	AL INTEGRITY INDICATORS		
III. REQUIRED RATES OF RETURN  AVERAGE CAPITAL STRUCTURE  (FPSC ADJUSTED BASIS)		A. TIE WITH	# AFUDC	4.02	
LOW	6.33%	B, TIE WITH	OUT AFUOC	4,02	
MIDPOINT	6.78%	C. AFUDCT	O NET INCOME	0.00	
HIGH	7.24%	D. INTERNA	ALLY GENERATED FUNDS	60.33	
(IRSI)	7.24%	E. LTD TO T	OTAL INVESTOR FUNDS	24,46	
		F, STD TO T	TOTAL INVESTOR FUNDS	13.39	
I am aware that Section 837.06, Florida Statutes, pro		G. RETURN	ON COMMON EQUITY	3.98	

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 Cheref M. Marty per Copy
Signature

5/15/2014 Date FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending March 31, 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	\$100,435,058	(\$50,606,674)	\$49,828,384	\$0	\$3,617,580	\$53,445,964	\$602,171	\$54,048,135
FPSC ADJUSTMENTS:  1) ELIMINATIONS TO WORKING CAPITAL 2) ELIM. NON UTILITY PLANT 3) CORRECT VEHICLE DEPRECIATION RATE 4.) REGULATORY LIAB - PENSION AMORT 5) REGULATORY ASSET - LITIGATION COSTS 7) ELIMINATE NON-UTILITY RECEIVABLES	(\$350,667)	\$127,930 (\$113,274)	\$0 (\$222,737) (\$113,274) . \$0 \$0 \$0			\$0 (\$222,737) (\$113,274)	\$239,279 \$86,466 (\$4,658)	\$0 (\$222,737) (\$113,274) \$239,279 \$86,466 (\$4,658)
8) CORRECT VEHICLE DEPRECIATION TOTAL FPSC ADJUSTMENTS	(\$350,667)	\$0 \$14,656	\$0 (\$336,011)	\$0	\$0	\$0 (\$336,011)	\$321,087	\$0 (\$14,923)
FPSC ADJUSTED	\$100,084,392	(\$50,592,018)	\$49,492,374	\$0	\$3,617,580	\$53,109,953	\$923,258	\$54,033,211
FLEX RATE REVENUES	<u>\$0</u>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$100,084,392	(\$50,592,018)	\$49,492,374	\$0	\$3,617,580	\$53,109,953	\$923,258	\$54,033,211
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$100,084,392	(\$50,592,018)	\$49,492,374	\$0	\$3,617,580	\$53,109,953	\$923,258	\$54,033,211

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending March 31, 2014 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LO55	(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	\$80,251,673	\$ 57,558,423	\$10,339,806	\$2,929,956	\$6,563,389	\$871,275				\$78,262,849	\$1,988,824
FPSC ADJUSTMENTS:  1) INCOME TAX SYNCH ADJUSTMENT  2) ELIMINATE FUEL REVENUES AND EXPENSES  3) ELIMINATE CONSERVATION  4) NON-UTILITY DEPRECIATION EXPENSE  5) CORRECT VEHICLE DEPRECIATION EXPENSE  6) REMOVE OUT OF PERIOD PTO  7) OUT OF PERIOD LITIGATION COSTS  8) ADJUST UNBILLED REVENUE  9) OUT OF PERIOD AMORT COSTS-LITIGATION	\$ (56,685,560) (\$917,663) \$151,898	\$ (56,641,418) (\$917,005)	\$46,045 \$ 390,515 \$119,690	(\$13,942) \$76,465	(\$44,221) \$660	(\$134,834) \$31 (\$509) \$5,378 (\$17,762) (\$150,641) (\$46,170) \$58,595 (\$29,497) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				(\$134,834) (\$56,685,609) (\$916,853) (\$8,564) \$28,283 \$239,874 \$73,520 \$58,595 \$46,969 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$134,834 \$49 (\$810) \$8,564 (\$28,283) (\$239,874) (\$73,520) \$93,303 (\$46,969) \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$57,451,325)	(\$57,558,423)	\$556,250	\$62,524	(\$43,561)	(\$315,410)	\$0	\$0	\$0	(\$57,298,620)	(\$152,705)
FPSC ADJUSTED	\$22,800,348	(\$0)	\$10,896,056	\$2,992,480	\$6,519,828	\$555,865	\$0	\$0	\$0	\$20,964,229	\$1,836,119
PRO FORMA ADJUSTMENTS	<u> </u>	(30)	<del></del>	<del>\$2,332,400</del>	<del></del>	333,803				720,304,223	<u> </u>
PRO FORMA ADJUSTMENTS				ćo		**				¢0	60
				\$0		\$0				\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$22,800,348	(\$0)	\$10,896,056	\$2,992,480	\$6,519,828	\$555,865	\$0	\$0	\$0	\$20,964,229	\$1,836,119

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2014 RATE BASE

(1) (2) (3) (8) (6) (7) (8) (8) (7) (8) (7) (8) (7) (8) (7) (8) (7) (8) (7) (8) (7) (8) (7) (8) (8) (8) (8) (8) (8) (8) (8) (8) (8									
FPSC ADJUSTMENTS:  1) ELIMINATIONS TO WORKING CAPITAL 2) ELIM. NON UTILITY PLANT (\$350,667) (\$131,136 (\$219,531) (\$21,62,011) (\$21,62,670) (\$21,62,670		PLANT IN	ACCUMULATED DEPRECIATION &	PLANT IN	NET PROPERTY HELD FOR	CONSTRUCTION WORK IN	NET UTILITY	WORKING	TOTAL
1) ELIMINATIONS TO WORKING CAPITAL   50   \$0   \$(\$6,196)   \$(\$6,196)   \$(\$6,196)   \$(\$219,531)   \$	PER BOOKS	\$104,431,111	(\$51,811,022)	\$52,620,089	<u>\$0</u>	\$2,965,841	\$55,585,930	(\$13,010)	\$55,572,920
2) ELIM NON UTILITY PLANT (\$350,667) \$131,136 (\$219,531) \$(\$219,531) \$(\$219,531) \$(\$219,531) \$(\$219,531) \$(\$219,531) \$(\$219,531) \$(\$219,531) \$(\$311,945) \$(\$311,94	FPSC ADJUSTMENTS:								
TOTAL FPSC ADJUSTMENTS (\$350,667) (\$809) (\$351,476) \$0 \$0 (\$351,476) (\$1,611,195) (\$1,962,670)  FPSC ADJUSTED \$104,080,445 (\$51,811,831) \$52,268,613 \$0 \$2,965,841 \$55,234,454 (\$1,624,205) \$53,610,250  COMP RATE ADJ REVENUES \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0  ADJUSTED FOR COMP RATE ADJ REVENUE \$104,080,445 (\$51,811,831) \$52,268,613 \$0 \$2,965,841 \$55,234,454 (\$1,624,205) \$53,610,250  PROFORMA ADJUSTMENTS  TOTAL PRO FORMA ADJUSTMENTS \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0  \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	2) ELIM. NON UTILITY PLANT 3) CORRECT VEHICLE DEPRECIATION 4) OUT OF PERIOD LITIGATION ADJ	(\$350,667)		(\$219,531)			(\$219,531)	\$47,012	(\$219,531) (\$131,945) \$47,012
FPSC ADJUSTED \$104,080,445 (\$51,811,831) \$52,268,613 \$0 \$2,965,841 \$555,234,454 (\$1,624,205) \$53,610,250 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	5) ELIMINATION OF UNDER-RECOVERT							(71,032,011)	(\$1,032,011)
COMP RATE ADJ REVENUES \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	TOTAL FPSC ADJUSTMENTS	(\$350,667)	(\$809)	(\$351,476)	\$0	\$0	(\$351,476)	(\$1,611,195)	(\$1,962,670)
ADJUSTED FOR COMP RATE ADJ REVENUE \$104,080,445 (\$51,811,831) \$52,268,613 \$0 \$2,965,841 \$55,234,454 (\$1,624,205) \$53,610,250  PROFORMA ADJUSTMENTS  TOTAL PRO FORMA ADJUSTMENTS \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	FPSC ADJUSTED '	\$104,080,445	(\$\$1,811,831)	\$52,268,613	\$0	\$2,965,841	\$55,234,454	(\$1,624,205)	\$53,610,250
PROFORMA ADJUSTMENTS	COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0   \$0   \$0   \$0   \$0   \$0   \$0   \$0	ADJUSTED FOR COMP RATE ADJ REVENUE	\$104,080,445	(\$51,811,831)	\$52,268,613	\$0	\$2,965,841	\$55,234,454	(\$1,624,205)	\$53,610,250
TOTAL PRO FORMA ADJUSTMENTS         \$0         \$0         \$0         \$0         \$0         \$0         \$0	PROFORMA ADJUSTMENTS								
PRO FORMA ADJUSTED \$104,080,445 (\$51,811,831) \$52,268,613 \$0 \$2,965,841 \$55,234,454 (\$1,624,205) \$53,610,250	TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0_	\$0	\$0	
	PRO FORMA ADJUSTED	\$104,080,445	(\$51,811,831)	\$52,268,613	\$0	\$2,965,841	\$55,234,454	(\$1,624,205)	\$53,610,250

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2014 INCOME STATEMENT

	(1) OPERATING REVENUES	(2) O & M FUEL EXPENSE	(3) O & M OTHER	(4)  DEPREC. &  AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) i.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	\$80,251,673	\$ 57,558,423	\$10,339,806	\$2,929,956	\$6,563,389	\$871,275				\$78,262,849	\$1,988,824
FPSC ADJUSTMENTS:  1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4) NON-UTILITY DEPRECIATION EXPENSE S)CORRECT VEHICLE DEPRECIATION 6) REMOVE OUT OF PERIOD PTO 7) OUT OF PERIOD LITIGATION COSTS 8) ADJUST UNBILLED REVENUES 9) OUT OF PERIOD AMORT COSTS-LITIGATION	\$ (56,685,560) (\$917,663) \$151,898	\$ (56,641,418) (\$917,005)	\$46,045 \$ 390,515 \$119,690	(\$13,942) \$76,465	(\$44,221) \$660	(\$119,555) \$31 (\$509) \$5,378 (\$17,641) (\$46,170) \$58,595 (\$29,497) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				(\$119,555) (\$56,685,609) (\$916,853) (\$8,564) \$28,283 \$239,874 \$73,520 \$58,595 \$46,969 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$119,555 \$49 (\$810) \$8,564 (\$28,283) (\$239,874) (\$73,520) \$93,303 (\$46,969) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$57,451,325)	(\$57,\$58,423)	\$556,250	\$62,524	(\$43,561)	(\$300,130)	\$0	\$0	\$0	(\$57,283,340)	(\$167,985)
FPSC ADJUSTED	\$22,800,348	(\$0)	\$10,896,056	\$2,992,480	\$6,519,828	\$\$71,145	\$0	\$0	\$0	\$20,979,509	\$1,820,839
PRO FORMA ADJUSTMENTS											
0				-		-				-	
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$22,800,348	(\$0)	\$10,896,056	\$2,992,480	\$6,519,828	\$571,145	\$0	\$0	\$0	\$20,979,509	\$1,820,839

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC CAPITAL STRUCTURE March 31, 2014 FPSC ADJUSTED BASIS

FPSC ADJUSTED BASIS								LOW POINT		MIDPOINT		HIGH POINT	
AVERAGE	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	\$24,676,793	(\$227,395)	\$24,449,398	(\$15,743)	\$239,279	\$24,672,935	45.66%	10.00%	4.57%	11.00%	5.02%	12.00%	5.48%
LONG TERM DEBT - CU	\$7,489,929		\$7,489,929	(4,778)		\$7,485,150	13.85%	5.92%	0.82%	5.92%	0.82%	5.92%	0.82%
SHORT TERM DEBT	\$5,319,578		\$5,319,578	(3,394)		\$5,316,184	9.84%	1.16%	0.11%	1.16%	0.11%	1.16%	0.11%
LONG TERM DEBT - FC	\$2,225,365		\$2,225,365	(1,420)		\$2,223,946	4.12%	12.28%	0.51%	12.28%	0.51%	12.28%	0.51%
SHORT TERM DEBT - REFINANCED LTD	\$2,309,605		\$2,309,605	(\$1,473)		\$2,308,132	4.27%	4.18%	0.18%	4.18%	0.18%	4.18%	0.18%
CUSTOMER DEPOSITS	\$3,387,247		\$3,387,247			\$3,387,247	6.27%	2.27%	0.14%	2.27%	0.14%	2.27%	0.14%
DEFFERED INCOME TAXES	\$8,639,618		\$8,639,618			\$8,639,618	15.99%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	6.01%	0.00%	6.46%	0.00%	6.92%	0.00%
TOTAL AVERAGE	\$54,048,135	(\$227,395)	\$53,820,740	(\$26,808)	\$239,279	\$54,033,211	100.00%		6.33%		6.78%		7.24%

YEAR-END PER BOOKS  COMMON EQUITY \$25,574,910  LONG TERM DEBT - CU \$8,543,805		ADJUSTED BOOK5 \$25,355,379 \$8,543,805	PRO-RATA (\$956,297)	SPECIFIC (\$131,945)	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
			(\$956,297)	(\$131,945)	\$24.267.427							1
			(\$956,297)	(\$131,945)	624.267.427							
LONG TERM DEBT - CU \$8,543,805		\$8,543,805			\$24,267,137	45.27%	10.00%	4.53%	11.00%	4.98%	12.00%	5.43%
			(\$319,470)		\$8,224,335	15.34%	5.38%	0.83%	5.38%	0.83%	5.38%	0.83%
SHORT TERM DEBT \$2,894,236		\$2,894,236	(\$108,221)		\$2,786,015	5.20%	2.09%	0.11%	2.09%	0.11%	2.09%	0.11%
LONG TERM DEBT - FC \$1,752,657		\$1,752,657	(\$65,535)		\$1,687,122	3.15%	14.44%	0.45%	14.44%	0.45%	14.44%	0.45%
5HORT TERM DEBT - REFINANCED LTD \$4,323,685		\$4,323,685	(\$161,671)		\$4,162,014	7.76%	2.18%	0.17%	2.18%	0.17%	2.18%	0.17%
CUSTOMER DEPOSITS \$3,362,935		\$3,362,935			\$3,362,935	6.27%	2.29%	0.14%	2.29%	0.14%	2.29%	0.14%
DEFFERED INCOME TAXES \$9,120,692		\$9,120,692			\$9,120,692	17.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST \$0		\$0			\$0	0.00%	5.92%	0.00%	6.37%	0.00%	6.82%	0.00%
TOTAL YEAR-END \$55,572,920	(\$219,531)	\$55,353,390	(\$1,611,195)	(\$131,945)	\$53,610,250	100.00%		6.23%		6.68%		7.13%