



April 30, 2010

Mr. John Slemkewicz
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 5) for our Consolidated Electric divisions and Consolidated Gas divisions, for the twelve months ended December 31, 2009.

Per the final order PSC-99-0954-PAA-EI, also enclosed are the schedules for ITC amortization, flow-back of excess deferred income taxes (EDIT), and a summary of the transactions in our storm reserves for both the Marianna and Fernandina Beach electric divisions for 2009.

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

Sincerely,

A handwritten signature in black ink that reads "Cheryl M. Martin".

Cheryl M. Martin
Controller

cdy

Cc: Bachman, George (Sch 1 only)
Schimkaitis, John (Sch 1 only)
Office of Public Counsel - Shreve (all)
Schneidermann, Marc (all Nat gas)
Stein, Chuck (all)
Cutshaw, Mark (Electric only)
Shelly, Buddy (Electric only)
SJ 45-69 (all)

STATE OF
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ECONOMIC REGULATION

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COMMISSION

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
EARNINGS SURVEILLANCE REPORT SUMMARY
DECEMBER 2009**

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	\$4,571,252	43,911	\$4,615,163	\$0	\$4,615,163
AVERAGE RATE BASE	\$70,775,065	(3,715,590)	\$67,059,475	0	\$67,059,475
AVERAGE RATE OF RETURN	6.46%		6.88%		6.88%
II. YEAR END RATE BASE (JURISDICTIONAL)					
	\$74,869,776	(3,600,723)	\$71,269,053	0	\$71,269,053
<hr/>					
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	7.63%		A. INCLUDING FLEX RATE REVENUES		8.00%
MIDPOINT	8.06%		B. EXCLUDING FLEX RATE REVENUES		8.00%
HIGH	8.47%				

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, Controller
(Name & Title)

(Signature)

(Date)

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER 2009

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION*	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$116,640,971	\$40,784,595	\$75,856,376		\$1,032,780	\$76,889,156	(\$6,114,091)	\$70,775,065
<u>FPSC ADJUSTMENTS:</u>								
NONUTILITY PLANT	(1,716,149)	(484,690)	(1,231,459)		(1,231,459)			(1,231,459)
SFNG ACQUISITION GOOD WILL RATE REFUND PENDING - 2009 REGULATORY ASSET-PENSION adj	(2,545,006)		(2,545,006)		(2,545,006)		73,491	(2,545,006) 73,491
							(12,616)	(12,616)
TOTAL FPSC ADJUSTMENTS	(4,261,155)	(484,690)	(3,776,465)		(3,776,465)		60,875	(3,715,590)
FPSC ADJUSTED	112,379,816	40,299,905	72,079,911		1,032,780	73,112,691	(6,053,216)	67,059,475
<u>FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES</u>	112,379,816	40,299,905	72,079,911		1,032,780	73,112,691	(6,053,216)	67,059,475
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED	\$112,379,816	\$40,299,905	\$72,079,911		\$1,032,780	\$73,112,691	(\$6,053,216)	\$67,059,475

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
INCOME STATEMENT
DECEMBER 2009

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	GAIN/LOSS ON DISPOSALS	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$59,402,913	\$21,821,798	\$20,712,238	\$5,278,754	\$5,581,024	\$121,379	\$1,352,643	(\$36,175)		\$54,831,661	\$4,571,252
<u>FPSC ADJUSTMENTS:</u>											
FUEL COST RECOVERIES	(22,364,412)	(21,065,724)		(111,930)	(457,792)					(21,635,446)	(728,966)
FUEL OVER/UNDER RECOVERIES	436,991	(756,074)			460,225					(295,849)	732,840
CONSERVATION/UNBUNDLING RECOVERIES	(1,724,600)		(1,717,908)	(8,888)	847					(1,725,949)	1,349
INT. & INC. TAX SYNCHRONIZATION					186,606					186,606	(186,606)
NONUTILITY DEPRECIATION EXPENSE				(109,034)	42,060					(66,974)	66,974
REMOVAL OF ECONOMIC DEV. EXP. AEP	(667,118)				(3,302)					(667,118)	
RATE REFUND PENDING - 2009	257,745				99,425					99,425	158,320
TOTAL FPSC ADJUSTMENTS	(24,061,394)	(21,821,798)	(2,381,724)	(109,034)	(124,120)	331,371				(24,105,305)	43,911
FPSC ADJUSTED	35,341,519		18,330,514	5,169,720	5,456,904	452,750	1,352,643	(36,175)		30,726,356	4,615,163
FLEX RATE REVENUES ADJUSTED FOR FLEX RATE REVENUES	35,341,519		18,330,514	5,169,720	5,456,904	452,750	1,352,643	(36,175)		30,726,356	4,615,163
<u>PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:</u>											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED	\$5,341,519		\$18,330,514	\$5,169,720	\$5,456,904	\$452,750	\$1,352,643	(\$36,175)		\$30,726,356	\$4,615,163
PER BOOKS CURRENT MONTH AMOUNT	\$6,325,071	\$2,458,602	\$1,565,997	\$488,558	\$465,667	\$508,165	(\$89,936)	(\$3,334)		\$5,393,719	\$931,352

SCHEDULE 3

FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISIONS
 YEAR END RATE OF RETURN
 RATE BASE
 DECEMBER 2009

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION*	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$119,078,812	\$42,304,190	\$76,774,622		\$880,767	\$77,655,389	(\$2,785,613)	\$74,869,776
<u>FPSC ADJUSTMENTS:</u>								
NONUTILITY PLANT	(1,716,149)	(484,690)	(1,231,459)			(1,231,459)		(1,231,459)
SFNG ACQUISITION GOOD WILL RATE REFUND PENDING - 2009 REGULATORY ASSET-PENSION adj	(2,545,004)		(2,545,004)			(2,545,004)	257,745 (82,005)	(2,545,004) 257,745 (82,005)
TOTAL FPSC ADJUSTMENTS	(4,261,153)	(484,690)	(3,776,463)			(3,776,463)	175,740	(3,600,723)
FPSC ADJUSTED	\$114,817,659	\$41,819,500	\$72,998,159		\$880,767	\$73,878,926	(\$2,609,873)	\$71,269,053

PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:

TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED	\$114,817,659	\$41,819,500	\$72,998,159		\$880,767	\$73,878,926	(\$2,609,873)	\$71,269,053

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISIONS
 CAPITAL STRUCTURE
 FPSC ADJUSTED BASIS
 DECEMBER 2008

AVERAGE	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS		RATIO (%)	LOW POINT		MID POINT		HIGH POINT	
				PRORATA	SPECIFIC		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	\$25,457,056	125,545	\$25,582,601	(1,544,582)		35.85	7.90	2.83	7.90	2.83	7.90	2.83
SHORT TERM DEBT	1,746,214	5,706	1,751,920	(105,774)		2.45	0.75	0.02	0.75	0.02	0.75	0.02
PREFERRED STOCK	216,850	5,707	222,557	(13,437)		0.31	4.75	0.01	4.75	0.01	4.75	0.01
CUSTOMER DEPOSITS	7,054,005		7,054,005			10.52	6.59	0.69	6.59	0.69	6.59	0.69
COMMON EQUITY	29,645,686	(136,958)	29,508,728	(1,781,627)		41.35	9.85	4.07	10.85	4.49	11.85	4.90
DEFERRED INCOME TAXES	6,269,478		6,269,478			9.35						
TAX CREDITS-ZERO COST												
TAX CREDITS-WEIGHTED COST	115,606		115,606			0.17	8.67	0.01	9.19	0.02	9.71	0.02
TOTAL	<u>\$70,504,895</u>		<u>\$70,504,895</u>	<u>(\$3,445,420)</u>		<u>100.00</u>		<u>7.63</u>		<u>8.06</u>		<u>8.47</u>

YEAR END	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS		RATIO (%)	LOW POINT		MID POINT		HIGH POINT	
				PRORATA	SPECIFIC		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	\$21,140,737	71,602	\$21,212,339	(1,280,057)		27.97	7.98	2.23	7.98	2.23	7.98	2.23
SHORT TERM DEBT	3,944,123	11,934	3,956,057	(238,728)		5.22	0.63	0.03	0.63	0.03	0.63	0.03
PREFERRED STOCK	7,409,035		7,409,035			10.40	4.75	0.66	4.75	0.66	4.75	0.66
CUSTOMER DEPOSITS	34,584,168	(83,536)	34,500,632	(2,081,938)		45.48	9.85	4.48	10.85	4.94	11.85	5.39
COMMON EQUITY	7,693,916		7,693,916			10.80						
DEFERRED INCOME TAXES												
TAX CREDITS-ZERO COST	97,797		97,797			0.12	8.58	0.01	9.15	0.01	9.73	0.01
TAX CREDITS-WEIGHTED COST												
TOTAL	<u>\$74,869,776</u>		<u>\$74,869,776</u>	<u>(\$3,600,723)</u>		<u>100.00</u>		<u>7.41</u>		<u>7.87</u>		<u>8.32</u>

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
DECEMBER 2009**

SCHEDULE 5

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON
COMMON EQUITY INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.88</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(2.83)
SHORT TERM DEBT	(0.02)
PREFERRED STOCK	(0.01)
CUSTOMER DEPOSITS	(0.69)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.02)
SUBTOTAL	<u>(3.57)</u>
TOTAL	3.31
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.4135</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>8.00</u>

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON
COMMON EQUITY EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	\$4,615,163
RATE BASE EXCLUDING FLEX RATE REVENUES	\$67,059,475
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	<u>6.88</u>
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(2.83)
SHORT TERM DEBT	(0.02)
PREFERRED STOCK	(0.01)
CUSTOMER DEPOSITS	(0.69)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.02)
SUBTOTAL	<u>(3.57)</u>
TOTAL	3.31
DIVIDED BY RECONCILED COMMON EQUITY RATIO	<u>0.4135</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>8.00</u>