

Writer's Direct Dial Number: (850) 521-1706 Writer's E-Mail Address: bkeating@gunster.com

June 18, 2013

## HAND DELIVERY

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

Re: Florida Public Utilities Company/Electric Division and Natural Gas Division-March 2013 Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Electric and Natural Gas Divisions the period ended March 31, 2013. One additional hard copy of each report is also included.

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

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PRO FORMA

PRO FORMA

). AVERAGE RATE OF RETURN (JURISDICTIONAL)	PER BOOKS	ADJUSTMENTS	ADJUSTED	ADJUSTMENTS	ADJUSTED
NET OPERATING INCOME	\$ 8,063,237	\$153,657	\$8,216,894	\$1,713,296	\$9,930,190
AVERAGE RATE BASE	\$110,024,487	\$2,248,103	\$112,272,590	<b>(\$32,044,842)</b>	\$80,227,748
AVERAGE RATE OF RETURN	7.33%		7.32%		12.38%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$8,063,237	\$158,787	\$8,222,024	\$1,713,296	\$9,935,320
YEAR-END RATE BASE	\$117,346,319	\$2,165,112	5119,511,431	<u>(\$31,192,583)</u>	\$88,318,848
YEAR-END RATE OF RETURN	6.87%		6.88%		11.25%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN O (FPSC ADJUSTED BA		
tom	7.08%		A. IN	L COMP RATE ADJ REVENUES	12.67%
MIDPOINT	7.57%		B. EX	CL COMP RATE ADJ REVENUES	12.67%
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(2)

FPSC

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I arn 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.

(1)

ACTUAL

Cheryl M. Martin Director - Regulatory Affairs Shipm Math 6/12/13

RECEIVED RECOMMISSION

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DIVISION OF ACCOUNTING & FINANCE

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS AVERAGE RATE OF RETURN For the 12 Months Ending March 31, 2013 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	\$167,463,745	(\$52,402,817)	\$115,060,929	\$0	\$3,010,134	\$118,071,063	(\$8,046,576)	\$110,024,487
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE GOODWILL	\$0 (\$2,469,682) \$0	\$0 \$0 \$0	\$0 (\$2,469,682) \$0			\$0 (\$2,469,682) \$0	\$367,869	\$367,869 (\$2,469,682) \$0
ELIM. NON-UTILITY PLANT	(\$1,982,601) \$0 \$0	\$721,740 \$0 \$0	(\$1,260,861) \$0 \$0			(\$1,260,861) \$0 \$0	\$0	(\$1,260,861) \$0 \$0
ELIMINATE DEFERRED ENVIRONMENTAL COSTS TOTAL FPSC ADJUSTMENTS	(\$4,452,283)	\$721,740	(\$3,730,543)	\$0	\$0	(\$3,730,543)	\$5,610,777 \$5,978,646	\$5,610,777 \$2,248,103
FPSC ADJUSTED	\$163,011,462	(\$51,681,076)	\$111,330,386	\$0	\$3,010,134	\$114,340,520	(\$2,067,930)	\$112,272,590
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES PROFORMA ADJUSTMENTS	\$163,011,462	(\$\$1,681,076)	\$111,330,386	\$0	\$3,010,134	\$114,340,520	(\$2,067,930)	\$112,272,590
			\$0 \$0			\$0 \$0		\$0 \$0
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	(\$32,130,187)	\$1,261,962	(\$30,868,225)			(\$30,868,225)	(\$1,176,617)	(\$30,868,225) (\$1,176,617)
TOTAL PRO FORMA ADJUSTMENTS	(\$32,130,187)	\$1,261,962	(\$30,868,225)	\$0	\$0	(\$30,868,225)	(\$1,176,617)	(\$32,044,842)
PRO FORMA ADJUSTED	\$130,881,275	(\$50,419,114)	\$80,462,161	\$0	\$3,010,134	\$83,472,295	(\$3,244,547)	\$80,227,748

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS AVERAGE RATE OF RETURN For the 12 Months Ending March 31, 2013 INCOME STATEMENT

	(1) OPERATING	(2) O & M GA	(3) 6 O&M	(4) DEPREC. &	(5) TAXES OTHER	(6) INCOME TAXES	(7) D.I.T.	(8) 1.T.C.	(9) GAIN/LOSS ON	(10) TOTAL OPERATING	(11) NET OPERATING
	REVENUES	EXPENSE	OTHER	AMORTIZATION	THAN INCOME	CURRENT	(NET)	(NET)	DISPOSITION	EXPENSES	INCOME
PER BOOKS	\$63,737,988	\$ 23,343	013 \$15,944,748	\$7,050,465	\$5,054,592	\$4,281,933				\$55,674,751	\$8,063,237
FPSC ADJUSTMENTS:  1) INCOME TAX SYNCH SYNCHRONIZATION  2) ELIMINATE FUEL REVENUES AND EXPENSES  3) ELIMINATE CONSERVATION  4) NON-UTILITY DEPRECIATION EXPENSE  S) ELIMINATE AEP REVENUES AND EXPENSES  NATURAL GAS ALLOCATION ADJUSTMENT	\$ (20,122,035) (\$3,326,204) (\$156,584)	\$ (20,033 (\$3,309		(\$131,880) (\$155,079)	(\$88,614) (\$16,603)	(\$34,688) \$93 (\$97) \$50,873 (\$581) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				(\$34,688) (\$20,122,184) (\$3,326,050) (\$81,007) (\$155,660) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$34,688 \$149 (\$154) \$81,007 (\$924) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$23,604,823)	(\$23,343	013) (\$63,316)	(\$286,959)	(\$105,217)	\$40,025	\$0	\$0	\$0	(\$23,758,480)	\$153,657
FPSC ADJUSTED	\$40,133,165		\$0 \$15,881,432	\$6,763,506	\$4,949,375	\$4,321,958	\$0	\$0	\$0	\$31,916,271	\$8,216,894
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$40,133,165		\$0 \$15,881,432	\$6,763,506	\$4,949,375	\$4,321,958	\$0	\$0	\$0	\$31,916,271	8,216,894
ELIMINATE ACQUISITION AMORTIZATION ELIMINATE TRANSACT,/TRANSIT. AMORTIZATION				(\$1,938,833) (\$611,832)		\$704,106 \$133,263 \$0 \$0				(\$1,234,727) (\$478,569) \$0 \$0	\$1,234,727 \$478,569 \$0 \$0
TOTAL PRO FORMA ADJUSTMENTS	\$0		\$0 \$0	(\$2,550,665)	\$0	\$837,369	\$0	\$0	\$0	(\$1,713,296)	\$1,713,296
PRO FORMA ADJUSTED	\$40,133,165		\$0 \$15,881,432	\$4,212,841	\$4,949,375	\$5,159,327	\$0	\$0	\$0	\$30,202,975	\$9,930,190

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN FLORID BOND STATE 13, 2013 RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	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	\$173,132,764	(\$54,907,113)	\$118,225,651	\$0	\$3,529,665	\$121,755,316	(\$4,408,998)	\$117,346,319
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE GOODWILL ELIM. NON-UTILITY PLANT ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$0 (\$2,469,682) \$0 (\$1,979,481) \$0	\$0 \$0 \$0 \$762,518 \$0 \$0	\$0 {\$2,469,682} \$0 {\$1,216,964} \$0 \$0			\$0 (\$2,469,682) \$0 (\$1,216,964) \$0 \$0	\$242,352 \$0 \$5,609,406	\$242,352 (\$2,469,682) \$0 (\$1,216,964) \$0 \$0 \$5,609,406
TOTAL FPSC ADJUSTMENTS	(\$4,449,163)	\$762,518	(\$3,686,646)	\$0	\$0	(\$3,686,646)	\$5,851,758	\$2,165,112
FPSC ADJUSTED	\$168,683,601	(\$54,144,595)	\$114,539,006	\$0	\$3,529,665	\$118,068,671	\$1,442,760	\$119,511,431
COMP RATE ADJ REVENUES	\$0	\$0	<u> </u>	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$168,683,601	(\$54,144,595)	\$114,539,006	\$0	\$3,529,665	\$118,068,671	\$1,442,760	\$119,511,431
			\$0 \$0			\$0 \$0		\$0 \$0
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS TOTAL PRO FORMA ADJUSTMENTS	(\$32,535,465)	\$2,237,115	(\$30,298,350) (\$30,298,350)	50	\$0	(\$30,298,350) (\$30,298,350)	(\$894,233) (\$894,233)	(\$30,298,350) (\$894,233) (\$31,192,583)
PRO FORMA ADJUSTED	\$136,148,136	(\$51,907,480)	\$84,240,656	\$0	\$3,529,665	\$87,770,321	\$548,527	\$88,318,848

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2013 INCOME STATEMENT

PER BOOKS	(1) OPERATING REVENUES \$63,737,988	0 & M GAS EXPENSE \$ 23,343,013	(3) O & M OTHER \$15,944,748	(4) DEPREC. & AMORTIZATION \$7,050,465	(5) TAXES OTHER THAN INCOME \$5,054,592	(6) INCOME TAXES CURRENT \$4,281,933	(7) D.I.T. (NET)	(8) LT.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES \$55,674,751	(11) NET OPERATING INCOME \$8,063,237
FPSC ADJUSTMENTS:  1) INCOME TAX SYNCH SYNCHRONIZATION 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4) NON-UTILITY DEPRECIATION EXPENSE 5) ELIMINATE AEP REVENUES AND EXPENSES NATURAL GAS ALLOCATION ADJUSTMENT	\$ (20,122,035) (53,326,204) (\$156,584)	\$ (20,033,663) \$ (3,309,350)	(\$63,316)	(\$131,880) (\$155,079) \$0 \$0 \$0 \$0 \$0	(\$88,614) (\$16,603)	(\$39,818) \$93 (\$97) \$50,873 (\$581) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				(\$39,818) (\$20,122,184) (\$3,326,050) (\$81,007) (\$155,660) \$0 \$0 \$0 \$0 \$0 (\$38,892) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$39,818 \$149 (\$154) \$81,007 (\$924) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$23,604,823)	(\$23,343,013)	(\$63,316)	(\$286,959)	(\$105,217)	\$34,894	\$0	\$0	\$0	(\$23,763,610)	\$158,787
FPSC ADJUSTED	\$40,133,165	\$0	\$15,881,432	\$6,763,506	\$4,949,375	\$4,316,827	\$0	\$0	\$0_	\$31,911,141	\$8,222,024
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)						\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$40,133,165	\$0	\$15,881,432	\$6,763,506	\$4,949,375	\$4,316,827	\$0	\$0	\$0	\$31,911,141	\$8,222,024
ACQUISITION ADJ AMORT EXP (DEDUCTIBLE) ACQUISITION ADJ AMORT EXP (NON-DEDUCTI TOTAL PRO FORMA ADJUSTMENTS	BLE) \$0	\$0	\$0	(\$1,938,833) (\$611,832) \$0 \$0 (\$2,550,665)	\$0	\$704,106 \$133,263 \$0 \$0 \$837,369	\$0	\$0	\$0	(\$1,234,727) (\$478,569) \$0 (\$1,713,296)	\$1,234,727 \$478,569 \$0 \$0 \$1,713,296
PRO FORMA ADJUSTED	\$40,133,165	\$o	\$15,881,432	\$4,212,841	\$4,949,375	\$5,154,196	\$0	\$0	\$0	\$30,197,845	\$9,935,320

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS CAPITAL STRUCTURE March 31, 2013 FPSC ADJUSTED BASIS

						LO	W POINT		MIDPOINT_	HIGH POINT			
		ADJUSTMENTS	ADJUSTED				RATIO	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST
AVERAGE	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
COMMON EQUITY	\$54,239,594	(\$1,260,861)	\$52,978,733	\$3,689,841	(\$2,469,682)	\$54,198,892	48.27%	9.85%	4.75%	10.85%	5.24%	11.85%	5.72%
LONG TERM DEBT - CU	\$14,700,628		\$14,700,628	\$1,000,063		\$15,700,691	13.98%	6.07%	0.85%	6.07%	0.85%	6.07%	0.85%
SHORT TERM DEBT	\$8,229,836		\$8,229,836	\$559,864		\$8,789,700	7.83%	1.41%			ĺ	1.41%	0.11%
LONG TERM DEBT - FC	\$10,714,304		\$10,714,304	\$728,879		\$11,443,183	10.19%	11.09%	1.13%	11.09%	1.13%	11.09%	1.13%
CUSTOMER DEPOSITS	\$7,368,207		\$7,368,207			\$7,368,207	6.56%	3.72%				3.72%	0.24%
DEFFERED INCOME TAXES	\$14,743,779		\$14,743,779			\$14,743,779	13.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$28,138		\$28,138			\$28,138	0.03%	6.84%	0.00%	7.33%	0.00%	7.81%	0.00%
TOTAL AVERAGE	\$110,024,487	(\$1,260,861)	\$108,763,626	\$5,978,646	(\$2,469,682)	\$112,272,590	100.00%		7.08%		7.57%		8.05%

								LO	W POINT		IDPOINT	HIGH POINT	
		ADJUSTMENTS						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
			ADJUSTED		coreirio.	24141107	RATIO	RATE	COST	RATE	COST	RATE	COST
YEAR-END	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
							1		- 1				-
COMMON EQUITY	\$58,662,223	(\$1,216,964)	\$57,445,259	\$3,620,711	(\$2,469,682)	\$58,596,287	49.03%	9.85%	4.83%	10.85%	5.32%	11.85%	5.81%
LONG TERM DEBT - CU	\$14,671,880		\$14,671,880	\$905,568		\$15,577,448	13.03%	6.33%	0.83%	6.33%	0.83%	6.33%	0.83%
SHORT TERM DEBT	\$11,039,268		\$11,039,268	\$681,358		\$11,720,626	9.81%	1.08%	0.11%	1.08%	0.11%	1.08%	0.11%
LONG TERM DEBT - FC	\$10,435,961		\$10,435,961	\$644,121		\$11,080,082	9.27%	11.13%	1.03%	11.13%	1.03%	11.13%	1.03%
CUSTOMER DEPOSITS	\$7,302,004		\$7,302,004			\$7,302,004	6.11%	3.75%	0.23%	3.75%	0.23%	3.75%	0.23%
DEFFERED INCOME TAXES	\$15,215,153		\$15,215,153			\$15,215,153	12.73%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$19,830		\$19,830			\$19,830	0.02%	6.80%	0.00%	7.29%	0.00%	7.78%	0.00%
TOTAL YEAR-END	\$117,346,319	(\$1,216,964)	\$116,129,355	\$5,851,758	(\$2,469,682)	\$119,511,431	100.00%		7.03%		7.52%		8.01%