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December 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 - Natural Gas Division/Electric Division - Third Quarter Surveillance Report

Dear Mr. Willis:

Attached, please find the original and three copies each of the Earnings Surveillance Reports (ESR) for Florida Public Utilities Company's Natural Gas and Electric Divisions for the period ended September 30, 2013.

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

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS RATE OF RETURN REPORT SUMMARY September 30, 2013

SCHEDULE 1

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	\$ 7,184,582	\$516,015	\$7,700,597	\$1,581,504	\$9,282,101
AVERAGE RATE BASE	\$116,122,114	\$2,162,811	\$118,284,925	(531,192,584)	\$87,092.341
AVERAGE RATE OF RETURN	6.19%		6.51%		10.66%
II. YEAR-END RATE OF RETURN {JURISDICTIONAL}					
NET OPERATING INCOME	\$7,184,582	\$556,877	\$7,741,459	\$1,581,504	\$9,322,963
YEAR-END RATE BASE	\$121,985,928	\$2,099,889	\$124,085,817	(530,340,325)	593,745,492
YEAR-END RATE OF RETURN	5.89%		6.24%		9.94%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN (FPSC ADJUSTED I		
LOW	6.62%		A . ()	NCL ACQUISITION ADJUSTMENT	9,62%
MIDPOINT	7.08%		B. E	XCL ACQUISITION ADJUSTMENT	20.72%
HIGH	7.55%				

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 Cheryl Martin por ally 12/18/2013

SCHEDULE 2 PAGE 1 OF 2

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS
AVERAGE RATE OF RETURN
For the 12 Months Ending September 30, 2013
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	\$173,021,771	(\$55,176,682)	\$117,845,089	\$0	\$5,281,055	\$123,126,144	(\$7,004,030)	\$116,122,114
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE GOODWILL ELIM. NON-UTILITY PLANT	\$0 (\$2,469,682) \$0 (\$2,060,509)	\$0 \$0 \$0 \$770,320	\$0 (\$2,469,682) \$0 (\$1,290,189)			\$0 (\$2,469,682) \$0 (\$1,290,189)	\$312,533	\$312,533 (\$2,469,682) \$0 (\$1,290,189)
•	\$0 \$0	\$0 \$0	\$0 \$0			\$0 \$0	\$0 \$5,610,149	\$0 \$0 \$5,610,149
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS TOTAL FPSC ADJUSTMENTS	(\$4,530,191)	\$770,320	(\$3,759,871)	\$0	\$0	(\$3,759,871)	\$5,922,682	\$2,162,811
FPSC ADJUSTED	\$168,491,579	(\$54,406,362)	\$114,085,218	\$0_	\$5,281,055	\$119,366,273	(\$1,081,348)	\$118,284,925
FLEX RATE REVENUES	\$0	\$0	\$0_	\$0_	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES PROFORMA ADJUSTMENTS	\$168,491,579	(\$54,406,362)	\$114,085,218	\$0	\$5,281,055	\$119,366,273	(\$1,081,348)	\$118,284,925
			\$0 \$0			\$0 \$0		\$0 \$0
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	(\$32,535,465)	\$2,237,114	(\$30,298,351)			(\$30,298,351)	(\$894,233)	(\$30,298,351) (\$894,233)
TOTAL PRO FORMA ADJUSTMENTS	(\$32,535,465)	\$2,237,114	(\$30,298,351)	\$0	\$0	(\$30,298,351)	(\$894,233)	(\$31,192,584)
PRO FORMA ADJUSTED	\$135,956,114	(\$52,169,248)	\$83,786,867	\$0	\$5,281,055	\$89,067,922	(\$1,975,581)	\$87,092,341

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FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS
AVERAGE RATE OF RETURN
For the 12 Months Ending September 30, 2013
INCOME STATEMENT

	(1) OPERATING	(2) O & M GAS	(3) O & M	(4) DEPREC. &	(5) TAXES OTHER	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LO5S ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
	REVENUES	EXPENSE	OTHER	\$6,682,746	\$5,341,392	\$4,095,280	(NEI)	(NEI)	DISPOSITION	\$58,256,876	\$7,184,582
PER BOOK5	\$65,441,458	\$ 24,922,583	\$17,214,875	\$6,682,746	\$5,341,392	\$4,093,260				\$30,230,070	37,104,302
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 6) NATURAL GAS ALLOCATION ADJUSTMENT	\$ (22,065,300) (\$2,983,872) (\$114,363)	\$ (21,953,442) (\$2,969,141)	(\$415,619)	(\$129,125) (\$113,791)	(\$113,387) (\$14,934)	(\$180,694) \$590 \$78 \$49,810 (\$221) \$0 \$0 \$0 \$0 \$0 \$160,325				(\$180,694) (\$22,066,239) (\$2,983,997) (\$79,315) (\$114,012) \$0 \$0 \$0 \$0 \$0 (\$255,294)	\$180,694 \$939 \$125 \$79,315 (\$351) \$0 \$0 \$0 \$0 \$0
						\$0 \$0				\$0 \$0	\$0 \$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0 \$0				\$0 \$0	\$0 \$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$25,163,535)	(\$24,922,583)	(\$415,619)	(\$242,916)	(\$128,321)	\$29,888	\$0	\$0	\$0	(\$25,679,550)	\$516,015
FPSC ADJUSTED	\$40,277,923	\$0	\$16,799,256	\$6,439,830	\$5,213,071	\$4,125,168	\$0	\$0	\$0	\$32,577,326	\$7,700,597
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$40,277,923	\$0	\$16,799,256	\$6,439,830	\$5,213,071	\$4,125,168	\$0_	\$0	\$0	\$32,577,326	7,700,597
ELIMINATE ACQUISITION AMORTIZATION ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(\$1,789,692) (\$564,768)		\$649,944 \$123,012 \$0 \$0				(\$1,139,748) (\$441,756) \$0 \$0	\$1,139,748 \$441,756 \$0 \$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	(\$2,354,460)	\$0	\$772,956	\$0	\$0	\$0	(\$1,581,504)	\$1,581,504
PRO FORMA ADJUSTED	\$40,277,923	\$0_	\$16,799,256	\$4,085,370	\$5,213,071	\$4,898,124	\$0	\$0	\$0	\$30,995,822	\$9,282,101

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS
YEAR END RATE OF RETURN
For the 12 Months Ending September 30, 2013
RATE BASE

	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	\$178,764,502	(\$57,576,580)	\$121,187,923	\$0	\$10,748,352	\$131,936,275	(\$9,950,347)	\$121,985,928
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE GOODWILL ELIM. NON-UTILITY PLANT	\$0 (\$2,469,682) \$0 (\$2,178,029)	\$0 \$0 \$0 \$835,170	\$0 (\$2,469,682) \$0 (\$1,342,860)			\$0 (\$2,469,682) \$0 (\$1,342,860)	\$301,362	\$301,362 (\$2,469,682) \$0 (\$1,342,860)
3) EUM. NON-OTILITY PLANT	\$0 \$0	\$0 \$0 \$0	\$0 \$0			\$0 \$0	\$0	\$0 \$0
4) ELIMINATE DEFERRED ENVIRONMENTAL COS TOTAL FPSC ADJUSTMENTS	(\$4,647,711 <u>)</u>	\$835,170	(\$3,812,542)	\$0	\$0	(\$3,812,542)	\$5,611,069 \$5,912,431	\$5,611,069 \$2,099,889
FPSC ADJUSTED	\$174,116,791	(\$56,741,410)	\$117,375,381	\$0	\$10,748,352	\$128,123,733	(\$4,037,916)	\$124,085,817
COMP RATE ADJ REVENUES	\$0_	\$0	\$0	\$0	<u>\$0</u>	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$174,116,791	(\$56,741,410)	\$117,375,381	\$0	\$10,748,352	\$128,123,733	(\$4,037,916)	\$124,085,817
			\$0 \$0			\$0 \$0		\$0 \$0
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	(\$32,860,437)	\$3,131,961	(\$29,728,476)			(\$29,728,476)	(\$611,849)	(\$29,728,476) (\$611,849)
TOTAL PRO FORMA ADJUSTMENTS	(\$32,860,437)	\$3,131,961	(\$29,728,476)	\$0	\$0	(\$29,728,476)	(\$611,849)	(\$30,340,325)
PRO FORMA ADJUSTED	\$141,256,354	(\$53,609,449)	\$87,646,905	\$0	\$10,748,352	\$98,395,257	(\$4,649,765)	\$93,745,492

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FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS
YEAR END RATE OF RETURN
For the 12 Months Ending September 30, 2013
INCOME STATEMENT

PER BOOKS	(1) OPERATING REVENUES S65,441,458	(2) O & M GAS EXPENSE \$ 24,922,583	(3) O & M OTHER \$17,214,875	(4) DEPREC. & AMORTIZATION \$6,682,746	(5) TAXES OTHER THAN INCOME \$5,341,392	(6) INCOME TAXES CURRENT S4,095,280	(7) D.I.T. (NÉT)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES \$58,256,876	(11) NET OPERATING INCOME \$7,184,582
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 6) NATURAL GAS ALLOCATION ADJUSTMENT	\$ (22,065,300) (\$2,983,872) (\$114,363)	\$ (21,953,442) \$ (2,969,141)	(\$415,619)	(\$129,125) (\$113,791) \$0 \$0 \$0 \$0 \$0 \$0	(\$113,387) (\$14,934)	(\$221,556) \$590 \$78 \$49,810 (\$221) \$0 \$0 \$0 \$0 \$0 \$0 \$160,325 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				(\$221,556) (\$22,066,239) (\$2,983,997) (\$79,315) (\$114,012) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$221,556 \$939 \$125 \$79,315 (\$351) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$25,163,535)	(\$24,922,583)	(\$415,619)	(\$242,916)	(\$128,321)	(\$10,974)	\$0	\$0	\$0	(\$25,720,412)	\$556,877
FPSC ADJUSTED	\$40,277,923	\$0	\$16,799,256	\$6,439,830	\$5,213,071	\$4,084,306	\$0	\$0_	\$0	\$32,536,464	\$7,741,459
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS	s)					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$40,277,923	\$0	\$16,799,256	\$6,439,830	\$5,213,071	\$4,084,306	\$0	\$0	\$0	\$32,536,464	\$7,741,459
ACQUISITION ADJ AMORT EXP (DEDUCTIBLE) ACQUISITION ADJ AMORT EXP (NON-DEDUCT TOTAL PRO FORMA ADJUSTMENTS	SO	\$0	\$0	(\$1,789,692) (\$564,768) \$0 \$0 (\$2,354,460)	\$0	\$649,944 \$123,012 \$0 \$0 \$772,956	\$0	\$0	\$0	(\$1,139,748) (\$441,756) \$0 \$0 (\$1,581,504)	\$1,139,748 \$441,756 \$0 \$0 \$1,581,504
PRO FORMA ADJUSTED	\$40,277,923	\$0	\$16,799,256	\$4,085,370	\$5,213,071	\$4,857,262	\$0	\$0	\$0	\$30,954,960	\$9,322,963

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS CAPITAL STRUCTURE September 30, 2013 FPSC ADJUSTED BASIS

_								LO	W POINT	MIDPOINT		Н	GH POINT
		ADJUSTMENT5	ADJUSTED				RATIO	COST RATE	WEIGHTED COST	COST	WEIGHTED	COST RATE	WEIGHTED COST
AVERAGE	PER BOOKS	NON-UTILITY	BOOK5	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
COMMON EQUITY	\$55,244,772	(\$1,290,189)	\$53,954,583	\$3,497,740	(\$2,469,682)	\$54,982,641	46.48%	9.85%	4.58%	10.85%	5.04%	11.85%	5.51%
COMMON EQUATION	4 -5/211,772	(42,220,220,	4 , ,,	7-7:0-7:	(+=,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,							
LONG TERM DEBT - CU	\$16,101,327		\$16,101,327	\$1,019,431		\$17,120,758	14.47%	6.05%	0.88%	6.05%	0.88%	6.05%	0.88%
SHORT TERM DEBT	\$14,038,920		\$14,038,920	\$888,853		\$14,927,773	12.62%	1.23%	0.16%	1.23%	0.16%	1.23%	0.16%
LONG TERM DEBT - FC	\$8,160,304		\$8,160,304	\$516,657		\$8,676,962	7.34%	11.64%	0.85%	11.64%	0.85%	11.64%	0.85%
CUSTOMER DEPOSITS	\$7,326,734		\$7,326,734			\$7,326,734	6.19%	2.36%	0.15%	2.36%	0.15%	2.36%	0.15%
DEFFERED INCOME TAXES	\$15,229,996		\$15,229,996			\$15,229,996	12.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$20,061		\$20,061			\$20,061	0.02%	6.47%	0.00%	6.93%	0.00%	7.40%	0.00%
		-			****		-						
TOTAL AVERAGE	\$116,122,114	(\$1,290,189)	\$114,831,925	\$5,922,682	(\$2,469,682)	\$118,284,925	100.00%	-	6.62%		7.08%		7.55%

								LOW POINT		MIDPOINT		Н	GH POINT
		ADJUSTMENTS						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
YEAR-END	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	RATE (%)	COST (%)	RATE (%)	COST (%)	RATE (%)	COST (%)
COMMON EQUITY	\$54,482,465	(\$1,342,860)	\$53,139,605	\$3,280,775	(\$2,469,682)	\$53,950,699	43.48%	9.85%	4.28%	10.85%	4.72%	11.85%	5.15%
LONG TERM DEBT - CU	\$19,054,213		\$19,054,213	\$1,147,389		\$20,201,602	16.28%	5.85%	0.95%	5.85%	0.95%	5.85%	0.95%
SHORT TERM DEBT	\$20,147,870		\$20,147,870	\$1,213,246		\$21,361,116	17.22%	0.84%	0.14%	0.84%	0.14%	0.84%	0.14%
LONG TERM DEBT - FC	\$4,500,721		\$4,500,721	\$271,020		\$4,771,741	3.85%	20.83%	0.80%	20.83%	0.80%	20.83%	0.80%
CUSTOMER DEPOSITS	\$7,200,247		\$7,200,247			\$7,200,247	5.80%	2.41%	0.14%	2.41%	0.14%	2.41%	0.14%
DEFFERED INCOME TAXES	\$16,587,158		\$16,587,158			\$16,587,158	13.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$13,254		\$13,254			\$13,254	0.01%	6.17%	0.00%	6.61%	0.00%	7.04%	0.00%
	4424 005 000	(41.242.000)	£4.70 £43 £60	65.040.404	/62.450.50ml	4424.005.017	100.000/		6 310/				7.000
TOTAL YEAR-END	\$121,985,928	(\$1,342,860)	\$120,643,068	\$5,912,431	(\$2,469,682)	\$124,085,817	100.00%		6.31%		6.75%		7.18%