



April 7, 2014

VIA E-MAIL [AMAUREY@PSC.STATE.FL.US](mailto:AMAUREY@PSC.STATE.FL.US)

Mr. Andrew Maurey, Director  
Division of Auditing and Finance  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Florida Public Utilities Company (Electric and Gas Divisions), Indiantown and Florida  
Division of Chesapeake Utilities Corporation – 4<sup>th</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 ("FPUC"), and the Florida Division of Chesapeake Utilities Corporation ("CFG") (jointly herein "Companies") hereby submit the required 4<sup>th</sup> Quarter Earnings Surveillance Reports for 2013. In addition, Florida Public Utilities has included with this submittal a revised 3<sup>rd</sup> Quarter Surveillance Report for the Company's Electric Division.

If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

Cc:// Cheryl Bulecza-Banks, Assistant Director  
Bart Fletcher, Public Utility Supervisor

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 December 31, 2013

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	\$ 7,189,010	\$4,601	\$7,193,611	\$1,581,504	\$8,775,115
AVERAGE RATE BASE	\$119,886,286	\$2,111,019	\$121,997,305	(\$30,766,454)	\$91,230,851
AVERAGE RATE OF RETURN	6.00%		5.90%		9.62%

II. YEAR-END RATE OF RETURN  
(JURISDICTIONAL)

NET OPERATING INCOME	\$7,189,010	\$50,727	\$7,239,737	\$1,581,504	\$8,821,241
YEAR-END RATE BASE	\$139,667,919	\$2,055,152	\$135,723,071	(\$29,914,196)	\$105,808,875
YEAR-END RATE OF RETURN	5.38%		5.35%		8.34%

III. REQUIRED RATES OF RETURN  
AVERAGE CAPITAL STRUCTURE  
(FPSC ADJUSTED BASIS)

LOW	6.54%
MIDPOINT	7.01%
HIGH	7.48%

IV. EARNED RETURN ON EQUITY  
(FPSC ADJUSTED BASIS)

A. INCL ACQUISITION ADJUSTMENT	8.54%
B. EXCL ACQUISITION ADJUSTMENT	17.68%

I am aware that Section 837.05, 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 M. Martin per Cory*  
 Signature  
 4/17/2014  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
NATURAL GAS

AVERAGE RATE OF RETURN  
For the 12 Months Ending December 31, 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	\$177,577,967	(\$56,319,566)	\$121,207,501	\$0	\$6,238,731	\$127,446,232	(\$7,559,946)	\$119,886,286
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0	\$0	\$0	\$0	\$289,233	\$289,233
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)	\$0	\$0	(\$2,469,682)	\$0	(\$2,469,682)
3) ELIM. NON-UTILITY PLANT	(\$2,114,978)	\$796,298	(\$1,318,681)	\$0	\$0	(\$1,318,681)	\$0	(\$1,318,681)
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$5,610,149	\$5,610,149
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	(\$4,584,660)	\$796,298	(\$3,788,363)	\$0	\$0	(\$3,788,363)	\$5,899,382	\$2,111,019
TOTAL FPSC ADJUSTMENTS	\$172,942,407	(\$55,523,268)	\$117,419,138	\$0	\$6,238,731	\$123,657,870	(\$1,660,564)	\$121,997,305
FPSC ADJUSTED	\$172,942,407	(\$55,523,268)	\$117,419,138	\$0	\$6,238,731	\$123,657,870	(\$1,660,564)	\$121,997,305
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$172,942,407	(\$55,523,268)	\$117,419,138	\$0	\$6,238,731	\$123,657,870	(\$1,660,564)	\$121,997,305
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	(\$32,697,951)	\$2,684,538	(\$30,013,413)	\$0	\$0	(\$30,013,413)	(\$753,041)	(\$30,013,413)
ELIM. REG ASSET-TRANSCN & TRNSITN CSTS	(\$32,697,951)	\$2,684,538	(\$30,013,413)	\$0	\$0	(\$30,013,413)	(\$753,041)	(\$30,766,454)
TOTAL PRO FORMA ADJUSTMENTS	(\$65,395,902)	\$5,369,076	(\$60,026,827)	\$0	\$0	(\$60,026,827)	(\$1,506,082)	(\$61,532,909)
PRO FORMA ADJUSTED	\$140,244,456	(\$50,154,192)	\$90,092,331	\$0	\$6,238,731	\$93,644,457	(\$2,413,605)	\$91,230,851

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	OPERATING NET INCOME
PER BOOKS	\$64,936,856	\$ 24,096,520	\$17,755,057	\$6,718,355	\$5,469,087	\$3,708,827				\$57,747,846	\$7,189,010
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCHRONIZATION						\$113,888				\$113,888	(\$113,888)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (21,540,027)	\$ (21,477,574)			(\$115,798)	\$20,578				(\$21,572,795)	\$32,767
3) ELIMINATE CONSERVATION	(\$2,631,912)	(\$2,618,946)			(\$13,172)	\$80				(\$2,632,039)	\$127
4) NON-UTILITY DEPRECIATION EXPENSE				(\$139,795)		\$53,926				(\$85,869)	\$85,869
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$89,375)			(\$88,928)		(\$172)				(\$89,100)	(\$275)
						\$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	\$0
TOTAL FPSC ADJUSTMENTS	(\$24,261,314)	(\$24,096,520)	\$0	(\$228,723)	(\$128,971)	\$188,299	\$0	\$0	\$0	(\$24,265,915)	\$4,601
FPSC ADJUSTED	\$40,675,542	\$0	\$17,755,057	\$6,489,632	\$5,340,116	\$3,897,126	\$0	\$0	\$0	\$33,481,931	\$7,193,611
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$40,675,542	\$0	\$17,755,057	\$6,489,632	\$5,340,116	\$3,897,126	\$0	\$0	\$0	\$33,481,931	7,193,611
ELIMINATE ACQUISITION AMORTIZATION				(\$1,789,692)		\$649,944				(\$1,139,748)	\$1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(\$564,768)		\$123,012				(\$441,756)	\$441,756
						\$0				\$0	\$0
						\$0				\$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	\$40,675,542	\$0	\$17,755,057	\$4,135,172	\$5,340,116	\$4,670,082	\$0	\$0	\$0	\$51,900,427	\$8,775,115

FLORIDA PUBLIC UTILITIES COMPANY  
NATURAL GAS  
YEAR END RATE OF RETURN  
For the 12 Months Ending December 31, 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	\$191,885,790	(\$58,387,259)	\$133,498,491	\$0	\$6,311,571	\$139,810,062	(\$6,142,143)	\$133,667,919
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0	\$0	\$0	\$0	\$294,419	\$294,419
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)	\$0	\$0	(\$2,469,682)	\$0	(\$2,469,682)
3) ELIM. NON-UTILITY PLANT	(\$2,212,997)	\$832,342	(\$1,380,654)	\$0	\$0	(\$1,380,654)	\$0	(\$1,380,654)
	\$0	\$0	\$0	\$0	\$0	\$0	\$5,611,069	\$5,611,069
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$4,682,679	(\$832,342)	(\$3,850,336)	\$0	\$0	(\$3,850,336)	(\$5,905,488)	(\$2,095,152)
TOTAL FPSC ADJUSTMENTS	\$187,203,111	(\$57,554,956)	\$129,648,155	\$0	\$6,311,571	\$135,959,725	(\$236,655)	\$135,723,071
FPSC ADJUSTED	\$187,203,111	(\$57,554,956)	\$129,648,155	\$0	\$6,311,571	\$135,959,725	\$0	\$135,723,071
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$187,203,111	(\$57,554,956)	\$129,648,155	\$0	\$6,311,571	\$135,959,725	(\$236,655)	\$135,723,071
PROFORMA ADJUSTMENTS								
ELIM. ACQUISITION ADJUSTMENT	(\$29,443,539)	\$3,579,384	(\$29,443,539)	\$0	\$0	(\$29,443,539)	(\$470,657)	(\$29,443,539)
ELIM. REG ASSET-TRNSCTN & TRINISITY CSTS	(\$33,022,923)	(\$3,579,384)	(\$29,443,539)	\$0	\$0	(\$29,443,539)	(\$470,657)	(\$29,914,196)
TOTAL PRO FORMA ADJUSTMENTS	(\$62,466,462)	(\$3,579,384)	(\$66,045,846)	\$0	\$0	(\$66,045,846)	(\$941,314)	(\$66,987,160)
PRO FORMA ADJUSTED	\$124,736,649	(\$61,134,340)	\$63,602,309	\$0	\$6,311,571	\$69,913,879	(\$1,377,969)	\$68,535,910

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

	(1) OPERATING REVENUES	(2) O & M GAS 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 ROOKS	\$64,536,856	\$ 24,096,520	\$17,755,057	\$6,718,355	\$5,469,087	\$3,708,827				\$57,747,846	\$7,189,010
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCHRONIZATION						\$67,761				\$67,761	(\$67,761)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (21,540,027)	\$ (21,477,574)			(\$115,798)	\$20,578				(\$21,572,795)	\$32,767
3) ELIMINATE CONSERVATION	\$ (2,631,912)	\$ (2,618,946)			(\$13,172)	\$80				(\$2,632,039)	\$127
4) NON-UTILITY DEPRECIATION EXPENSE				(\$139,795)		\$53,926				(\$85,869)	\$85,869
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$89,375)			(\$88,928)		(\$172)				(\$89,100)	(\$275)
						\$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	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$24,261,314)	(\$24,096,520)	\$0	(\$228,723)	(\$128,973)	\$142,172	\$0	\$0	\$0	(\$24,312,042)	\$50,727
FPSC ADJUSTED	\$40,675,542	\$0	\$17,755,057	\$6,489,632	\$5,340,116	\$3,850,999	\$0	\$0	\$0	\$33,435,804	\$7,239,737
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)						\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$40,675,542	\$0	\$17,755,057	\$6,489,632	\$5,340,116	\$3,850,999	\$0	\$0	\$0	\$33,435,804	\$7,239,737
ACQUISITION ADJ. - AMORT EXP (DEDUCTIBLE)				(\$1,789,692)		\$649,984				(\$1,139,708)	\$1,139,748
ACQUISITION ADJ. - AMORT EXP (NON-DEDUCTIBLE)				(\$564,768)		\$123,012				(\$441,756)	\$441,756
				\$0		\$0				\$0	\$0
				\$0		\$0				\$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	\$40,675,542	\$0	\$17,755,057	\$4,135,172	\$5,340,116	\$4,623,955	\$0	\$0	\$0	\$31,854,300	\$8,821,241

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

AVERAGE	ADJUSTMENTS			ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	NON-UTILITY	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
COMMON EQUITY	\$57,998,945	(\$1,318,681)	\$56,620,264	\$0	(\$2,469,682)	\$54,150,582	46.64%	9.85%	4.59%	10.85%	5.06%	11.85%	5.53%				
LONG TERM DEBT - CU	\$16,006,485		\$16,006,485	\$0		\$16,006,485	13.79%	6.02%	0.83%	6.02%	0.83%	6.02%	0.83%				
SHORT TERM DEBT	\$13,317,828		\$13,317,828	\$0		\$13,317,828	11.47%	1.47%	0.17%	1.47%	0.17%	1.47%	0.17%				
LONG TERM DEBT - FC	\$6,779,969		\$6,779,969	\$0		\$6,779,969	5.84%	11.89%	0.69%	11.89%	0.69%	11.89%	0.69%				
SHORT TERM DEBT - REFINANCED LTD	\$3,098,257		\$3,098,257	\$0		\$3,098,257	2.67%	4.17%	0.11%	4.17%	0.11%	4.17%	0.11%				
CUSTOMER DEPOSITS	\$7,320,002		\$7,320,002			\$7,320,002	6.31%	2.42%	0.15%	2.42%	0.15%	2.42%	0.15%				
DEFERRED INCOME TAXES	\$15,408,259		\$15,408,259			\$15,408,259	13.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
TAX CREDITS - WEIGHTED COST	\$16,542		\$16,542			\$16,542	0.01%	6.28%	0.00%	6.75%	0.00%	7.22%	0.00%				
TOTAL AVERAGE	\$119,886,286	(\$1,318,681)	\$118,567,606	\$0	(\$2,469,682)	\$116,097,924	100.00%		6.54%		7.01%		7.48%				

YEAR-END	ADJUSTMENTS			ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	NON-UTILITY	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
COMMON EQUITY	\$60,055,959	(\$1,380,654)	\$58,675,285	\$3,278,891	(\$2,469,682)	\$59,484,494	43.83%	9.85%	4.32%	10.85%	4.76%	11.85%	5.19%				
LONG TERM DEBT - CU	\$20,881,571		\$20,881,571	\$1,140,077		\$22,021,648	16.23%	5.20%	0.84%	5.20%	0.84%	5.20%	0.84%				
SHORT TERM DEBT	\$11,884,071		\$11,884,071	\$648,838		\$12,532,909	9.23%	1.66%	0.15%	1.66%	0.15%	1.66%	0.15%				
LONG TERM DEBT - FC	\$4,668,423		\$4,668,423	\$254,383		\$4,923,306	3.63%	17.62%	0.64%	17.62%	0.64%	17.62%	0.64%				
SHORT TERM DEBT - REFINANCED LTD	\$10,674,501		\$10,674,501	\$582,799		\$11,257,300	8.29%	1.22%	0.10%	1.22%	0.10%	1.22%	0.10%				
CUSTOMER DEPOSITS	\$7,266,928		\$7,266,928			\$7,266,928	5.35%	2.44%	0.13%	2.44%	0.13%	2.44%	0.13%				
DEFERRED INCOME TAXES	\$18,226,518		\$18,226,518			\$18,226,518	13.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
TAX CREDITS - WEIGHTED COST	\$9,968		\$9,968			\$9,968	0.01%	5.95%	0.00%	6.39%	0.00%	6.82%	0.00%				
TOTAL YEAR-END	\$133,667,919	(\$1,380,654)	\$132,287,265	\$5,905,488	(\$2,469,682)	\$135,723,071	100.00%		6.18%		6.62%		7.05%				