

May 16, 2014

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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) 1st 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 1st 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.

Sincerely,

Beth Keating Shareholder

cc: Bart Fletcher WPB_ACTIVE 5920471.1

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS RATE OF RETURN REPORT SUMMARY March 31, 2014 SCHEDULE 1

| I. AVERAGE RATE OF RETURN (JURISDICTIONAL) | (1) ACTUAL PER BOOKS | (2) FPSC ADJUSTMENTS | (3) FPSC Adjusted | (4) PRO FORMA ADJUSTMENTS | (5) PRO FORMA ADJUSTED |
|---|----------------------------|----------------------------|--|---------------------------------|------------------------------|
| NET OPERATING INCOME | \$ 7,537,247 | (\$223,346) | \$7,313,901 | \$1,581,504 | \$8,895,405 |
| AVERAGE RATE BASE | \$124,041,841 | \$2,124,580 | \$126,166,421 | (\$30,332,321) | \$95,834,100 |
| AVERAGE RATE OF RETURN | 6,08% | | 5.80% | | 9.28% |
| II. YEAR-END RATE OF RETURN (JURISDICTIONAL) | | | | | |
| NET OPERATING INCOME | \$7,537,247 | (\$169,186) | \$7,368,061 | \$1,581,504 | \$8,949,565 |
| YEAR-END RATE BASE | \$134,918,442 | \$2,306,961 | \$137,225,404 | (\$29,480,063) | \$107,745,341 |
| YEAR-END RATE OF RETURN | 5,59% | | 5.37% | | 8.31% |
| III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS) | | | IV. EARNED RETURN O (FPSC ADJUSTED BA | | |
| LOW | 6.47% | | A. INC | ACQUISITION ADJUSTMENT | 8.41% |
| MIDPOINT | 6.93% | | B. EX | EL ACQUISITION ADJUSTMENT | 17.02% |
| HIGH | 7.39% | | | | |

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to missead 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. 775,094.

Cheryl M. Martin Director - Regulatory Affairs

Signature

Date

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS 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 | \$182,509,819 | (\$57,557,467) | \$124,952,352 | \$0 | \$7,599,672 | \$132,552,024 | (\$8,510,183) | \$124,041,841 |
| 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 | \$335,337 | \$335,337 (\$2,469,682) \$0 |
| 3) ELIM. NON-UTILITY PLANT | (\$2,168,673) \$0 \$0 | \$817,285 \$0 \$0 | (\$1,351,388) \$0 \$0 | | | (\$1,351,388) \$0 \$0 | \$0 | (\$1,351,388) \$0 \$0 |
| 4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS TOTAL FPSC ADJUSTMENTS | (\$4,638,355) | \$817,285 | (\$3,821,070) | \$0 | \$0 | (\$3,821,070) | \$5,610,313 \$5,945,650 | \$5,610,313 \$2,124,580 |
| FPSC ADJUSTED | \$177,871,463 | (\$56,740,182) | \$121,131,281 | \$0 | \$7,599,672 | \$128,730,954 | (\$2,564,533) | \$126,166,421 |
| FLEX RATE REVENUES | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| ADJUSTED FOR FLEX RATE REVENUES PROFORMA ADJUSTMENTS | \$177,871,463 | (\$56,740,182) | \$121,131,281 | \$0 | \$7,599,672 | \$128,730,954 | (\$2,564,533) | \$126,166,421 |
| | | | \$0 \$0 | | | \$0 \$0 | | \$0 \$0 |
| ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS | (\$32,860,437) | \$3,139,965 | (\$29,720,472) | | | (\$29,720,472) | (\$611,849) | (\$29,720,472) (\$611,849) |
| TOTAL PRO FORMA ADJUSTMENTS | (\$32,860,437) | \$3,139,965 | (\$29,720,472) | \$0 | \$0 | (\$29,720,472) | (\$611,849) | (\$30,332,321) |
| PRO FORMA ADJUSTED | \$145,011,026 | (\$53,600,217) | \$91,410,809 | \$0 | \$7,599,672 | \$99,010,482 | (\$3,176,382) | \$95,834,100 |

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

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) GAIN/LOSS | (10) TOTAL | (11) NET |
|--|--|----------------------------------|----------------|------------------------------|----------------------------|---|-----------------|-----------------|-------------------|---|---|
| | OPERATING REVENUES | O & M GA5 EXPENSE | O & M OTHER | DEPREC. & AMORTIZATION | TAXES OTHER THAN INCOME | CURRENT | D.f.T. (NET) | I.T.C. (NET) | ON DISPOSITION | OPERATING EXPENSES | OPERATING INCOME |
| PER BOOKS | \$68,455,439 | \$ 26,240,152 | \$18,274,729 | \$6,790,808 | \$5,686,841 | \$3,925,662 | | | | \$60,918,192 | \$7,537,247 |
| 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) ELIMINATE OUT OF PERIOD PTO | \$ (23,536,709) (\$2,833,418) (\$60,720) | \$ (23,420,796) (\$2,819,356) | \$337,447 | (\$88,780) (\$60,416) | (\$115,958) (\$14,181) | \$70,516 \$17 \$46 \$34,247 (\$117) (\$130,170) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 | | | | \$70,516 (\$23,536,737) (\$2,833,491) (\$54,533) (\$60,533) \$207,277 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 | (\$70,516) \$28 \$73 \$54,533 (\$186) (\$207,277) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 |
| TOTAL FPSC ADJUSTMENTS | (\$26,430,847) | (\$26,240,152) | \$337,447 | (\$149,196) | (\$130,139) | (\$25,461) | \$0 | \$0 | \$0 | (\$26,207,501) | (\$223,346) |
| FPSC ADJUSTED | \$42,024,592 | \$0 | \$18,612,176 | \$6,641,612 | \$5,556,702 | \$3,900,201 | \$0 | \$0 | \$0 | \$34,710,691 | \$7,313,901 |
| FLEX RATE REVENUES - DEFICIT/(SURPLUS) | \$0 | | | | | \$0 | | | | \$0 | \$0 |
| ADJUSTED FOR FLEX RATE REVENUES | \$42,024,592 | \$0 | \$18,612,176 | \$6,641,612 | \$5,556,702 | \$3,900,201 | \$0 | \$0 | \$0 | \$34,710,691 | 7,313,901 |
| 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 | \$42,024,592 | \$0 | \$18,612,176 | \$4,287,152 | \$5,556,702 | \$4,673,157 | \$0 | \$0 | \$0 | \$33,129,187 | \$8,895,405 |

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN FOR 12 Months Ending March 31, 2014 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 | \$194,692,605 | (\$59,759,146) | \$134,933,460 | \$0 | \$9,300,491 | \$144,233,951 | (\$9,315,508) | \$134,918,442 |
| FPSC ADJUSTMENTS; | | | | | | | | |
| ELIMINATIONS TO WORKING CAPITAL ELIMINATE GOODWILL ELIM. NON-UTIUTY PLANT | \$0 (\$2,469,682) \$0 (\$2,161,265) \$0 | \$0 \$0 \$0 \$819,914 \$0 | \$0 (\$2,469,682) \$0 (\$1,341,351) \$0 | | | \$0 (\$2,469,682) \$0 (\$1,341,351) \$0 | \$506,926 | \$506,926 (\$2,469,682) \$0 (\$1,341,351) \$0 |
| 4) ELIMINATE DEFERRED ENVIRONMENTAL COS | ,\$0 TS | \$0 | \$0 | | | \$0 | \$0 \$5,611, 0 69 | \$0 \$5,611,069 |
| TOTAL FPSC ADJUSTMENTS | (\$4,630,947) | \$819,914 | (\$3,811,033) | \$0 | \$0 | (\$3,811,033) | \$6,117,995 | \$2,306,961 |
| FPSC ADJUSTED | \$190,061,658 | (\$58,939,232) | \$131,122,426 | \$0 | \$9,300,491 | \$140,422,917 | (\$3,197,514) | \$137,225,404 |
| COMP RATE ADJ REVENUES | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS | \$190,061,658 | (\$58,939,232) | \$131,122,426 | \$0 | \$9,300,491 | \$140,422,917 | (\$3,197,514) | \$137,225,404 |
| ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS TOTAL PRO FORMA ADJUSTMENTS | (\$33,185,409) (\$33,185,409) | \$4,034,811 | (\$29,150,598) (\$29,150,598) | \$0 | \$0 | (\$29,150,598) (\$29,150,598) | (\$329,465) (\$329,465) | (\$29,150,598) (\$329,465) (\$29,480,063) |
| PRO FORMA ADJUSTED | \$156,876,249 | (\$54,904,421) | \$101,971,828 | \$0 | \$9,300,491 | \$111,272,319 | (\$3,526,979) | \$107,745,341 |

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2014 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 BOOKS | \$68,455,439 | \$ 26,240,15 | \$18,274,729 | \$6,790,808 | \$5,686,841 | \$3,925,662 | | | | \$60,918,192 | \$7,537,247 |
| FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH SYNCHRONIZATION 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4)NON-UTILITY DEPRECIATION EXPENSE 5) ELIMINATE APP REVENUES AND EXPENSE 6) ELIMINATE OUT OF PERIOD PTO | \$ (23,536,709) (\$2,833,418) (\$60,720) | \$ (23,420,79 \$ (2,819,35 | | (\$88,780) (\$60,416) | (5115,958) (514,181) | \$16,356 \$17 \$46 \$34,247 (\$117) (\$130,170) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 | | | | \$16,356 (\$23,536,737) (\$2,833,491) (\$54,533) (\$60,533) \$207,277 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 | (\$16,356) \$28 \$73 \$54,533 (\$186) (\$207,277) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 |
| TOTAL FPSC ADJUSTMENTS | (\$26,430,847) | (\$26,240,15 | 2) \$337,447 | (\$149,196) | (\$130,139) | (\$79,621) | \$0 | \$0 | \$0 | (\$26,261,661) | (\$169,186) |
| FPSC ADJUSTED | \$42,024,592 | \$ | 918,612,176 | \$6,641,612 | \$5,556,702 | \$3,846,041 | \$0 | \$0 | \$0 | \$34,656,531 | \$7,368,061 |
| COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS) | | | | | | \$0 | | | | \$0 | \$0 |
| ADJUSTED FOR COMP RATE ADJ REVENUES | \$42,024,592 | <u> </u> | 0 \$18,612,176 | \$6,641,612 | \$5,556,702 | \$3,846,041 | \$0 | \$0 | \$0 | \$34,656,531 | \$7,368,061 |
| ACQUISITION ADJ AMORT EXP (DEDUCTIBLE) ACQUISITION ADJ AMORT EXP (NON-DEDUCTI TOTAL PRO FORMA ADJUSTMENTS | \$0 | | 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 | \$42,024,592 | | 0 \$18,612,176 | \$4,287,152 | \$5,556,702 | \$4,618,996 | \$0 | \$0 | \$0 | \$33,075,027 | \$8,949,565 |

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

| FPSC ADJUSTED BASIS | | | | | | | | LOW POINT | | MIDPOINT | | н | GH POINT |
|----------------------------------|---------------------|-------------------------|-------------------|-------------|---------------|---------------|--------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| NEDICE. | PER BOOKS | ADJUSTMENTS NON-UTILITY | ADJUSTED BOOKS | PRO-RATA | SPECIFIC | BALANCE | RATIO (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) |
| AVERAGE | PERBOOKS | NON-OTILITY | BUUKS | PRO-RATA | SPECIFIC | BALAIVCE | (70) | (70) | (70) | (76) | (70) | (70) | 1/0/ |
| COMMON EQUITY | \$58,940,111 | (\$1,351,388) | \$57,588,723 | \$3,491,555 | (\$2,469,682) | \$58,610,596 | 46.46% | 9.85% | 4.58% | 10.85% | 5.04% | 11.85% | 5.50% |
| LONG TERM DEBT - CU | \$17,775,128 | | \$17,775,128 | \$1,052,981 | | \$18,828,110 | 14.92% | 5.92% | 0.88% | 5.92% | 0.88% | 5.92% | 0.88% |
| SHORT TERM DEBT | \$12,705,724 | | \$12,705,724 | \$752,675 | | \$13,458,399 | 10.67% | 1.16% | 0.12% | 1.16% | 0.12% | 1.16% | 0.12% |
| LONG TERM DEBT - FC | \$5,429,690 | | \$5,429,690 | \$321,650 | | \$5,751,340 | 4.56% | 12.28% | 0.56% | 12.28% | 0.56% | 12.28% | 0.56% |
| SHORT TERM DEBT - REFINANCED LTD | \$5,516,454 | | \$5,516,454 | \$326,789 | | \$5,843,243 | 4.63% | 4.18% | 0.19% | 4.18% | 0.19% | 4.18% | 0.19% |
| CUSTOMER DEPOSITS | \$7,326,7 69 | | \$7,326,769 | | | \$7,326,769 | 5.81% | 2.41% | 0.14% | 2.41% | 0.14% | 2.41% | 0.14% |
| DEFFERED INCOME TAXES | \$16,334,487 | | \$16,334,487 | | | \$16,334,487 | 12.95% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$13,477 | | \$13,477 | | | \$13,477 | 0.01% | 6.14% | 0.00% | 6.60% | 0.00% | 7.06% | 0.00% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| TOTAL AVERAGE | \$124,041,841 | (\$1,351,388) | \$122,690,453 | \$5,945,650 | (\$2,469,682) | \$126,166,421 | 100.00% | | 6.47% | | 6.93% | | 7.39% |

| _ | | | | | | | | LO | LOW POINT | | IIDPOINT | NT HIGH POI | |
|----------------------------------|---------------|-------------------------|-------------------|-------------|---------------|---------------|--------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| YEAR-END | 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 | \$64,876,817 | (\$1,341,351) | \$63,535,466 | \$3,631,231 | (\$2,469,682) | \$64,697,014 | 47.15% | 9.85% | 4.64% | 10.85% | 5.12% | 11.85% | 5.59% |
| LONG TERM DEBT - CU | \$21,362,896 | | \$21,362,896 | \$1,195,706 | | \$22,558,602 | 16.44% | 5.38% | 0.88% | 5.38% | 0.88% | 5.38% | 0.88% |
| SHORT TERM DEBT | \$7,341,915 | | \$7,341,915 | \$410,935 | | \$7,752,850 | 5.65% | 2.09% | 0.12% | 2.09% | 0.12% | 2.09% | 0.12% |
| LONG TERM DEBT - FC | \$4,756,521 | | \$4,756,521 | \$266,228 | | \$5,022,749 | 3.66% | 14.44% | 0.53% | 14.44% | 0.53% | 14.44% | 0.53% |
| SHORT TERM DEBT - REFINANCED LTD | \$10,968,051 | | \$10,968,051 | \$613,895 | | \$11,581,946 | 8.44% | 2.18% | 0.18% | 2.18% | 0.18% | 2.18% | 0.18% |
| CUSTOMER DEPOSITS | \$7,368,021 | | \$7,368,021 | | | \$7,368,021 | 5.37% | 2.40% | 0.13% | 2.40% | 0.13% | 2.40% | 0.13% |
| DEFFERED INCOME TAXES | \$18,236,097 | | \$18,236,097 | | | \$18,236,097 | 13.29% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| TAX CREDITS - WEIGHTED COST | \$8,125 | | \$8,125 | | | \$8,125 | 0.01% | 6.17% | 0.00% | 6.65% | 0.00% | 7.12% | 0.00% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| TOTAL YEAR-END | \$134,918,442 | (\$1,341,351) | \$133,577,091 | \$6,117,995 | (\$2,469,682) | \$137,225,404 | 100.00% | | 6.48% | | 6.96% | | 7.43% |