

August 8, 2014

HAND DELIVERY

Mr. Andrew Maurey, Director Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
14 AUG -8 PN 12: 54
DIVISION OF

Re: Florida Public Utilities Company (Electric and all Gas Divisions), and Central Florida Gas (Florida Division of Chesapeake Utilities Corporation) 2nd 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 (Electric Division and all Natural Gas Divisions), as well as the Florida Division of Chesapeake Utilities Corporation, hereby submit the required 2nd Quarter Earnings Surveillance Reports for 2014, along with an additional copy of each report.

As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating

Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601

Tallahassee, FL 32301

(850) 521-1706

cc:

Bart Fletcher

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS RATE OF RETURN REPORT SUMMARY. June 30, 2014

SCHEDULE 1

J. 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	\$ 7,877,322	(\$104,320)	\$7,773,002	\$1,581,504	\$9,354,506
AVERAGE RATE BASE	\$130,793,361	\$2,141,147	\$132,934,508	(\$29,914,196)	\$103,020,312
AVERAGE RATE OF RETURN	6,02%		5.85%		9.08%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$7,877,322	(\$156,552)	\$7,720,770	\$1,581,504	\$9,302,274
YEAR-END RATE BASE	\$143,659,966	\$2,251,485	\$145,911,451	(\$29,061,938)	\$116,849,513
YEAR-END RATE OF RETURN	5.48%		5.29%		7.96%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN (FPSC ADJUSTED B		
LOW	6.40%		A. IA	ICL ACQUISITION ADJUSTMENT	B,64%
MIDPOINT	6.86%		8. E	KCL ACQUISITION ADJUSTMENT	17.11%
нідн	7.32%				

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 Cherry M. Martin pa Cof 8/7/2014

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS AVERAGE RATE OF RETURN For the 12 Months Ending June 30, 2014 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	\$187,651,143	(\$\$8,596,087)	\$129,055,057	\$0	\$9,035,814	\$138,090,871	(\$7,297,509)	\$130,793,361
FPSC ADJUSTMENTS:								
ELIMINATIONS TO NON-UTILITY RECEIVABLES ELIMINATE GOODWILL ELIM. NON-UTILITY PLANT	\$0 (\$2,469,682) \$0 (\$2,210,038)	\$0 \$0 \$0 \$833,171	\$0 (\$2,469,682) \$0 (\$1,376,867)			\$0 (\$2,469,682) \$0 (\$1,376,867)	\$376,941	\$376,941 (\$2,469,682) \$0 (\$1,376,867)
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$0 \$0	\$0 \$0	\$0 \$0			\$0 \$0 \$0 \$0	\$0 \$5,610,755	\$0 \$0 \$0 \$5,610,755
TOTAL FPSC ADJUSTMENTS	(\$4,679,720)	\$833,171	(\$3,846,549)	\$0	\$0	(\$3,846,549)	\$5,987,696	\$2,141,147
FPSC ADJUSTED	\$182,971,423	(\$57,762,915)	\$125,208,508	\$0	\$9,035,814	\$134,244,322	(\$1,309,813)	\$132,934,508
FLEX RATE REVENUES	\$0_	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES PROFORMA ADJUSTMENTS	\$182,971,423	(\$57,762,915)	\$125,208,508	\$0	\$9,035,814	\$134,244,322	(\$1,309,813)	\$132,934,508
			\$0 \$0			\$0 \$0		\$0 \$0
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	(\$33,022,923)	\$3,579,384	(\$29,443,539)			(\$29,443,539)	(\$470,657)	(\$29,443,539) (\$470,657)
TOTAL PRO FORMA ADJUSTMENTS	(\$33,022,923)	\$3,579,384	(\$29,443,539)	\$0	\$0	(\$29,443,539)	(\$470,657)	(\$29,914,196)
PRO FORMA ADJUSTED	\$149,948,500	(\$54,183,531)	\$95,764,969	\$0	\$9,035,814	\$104,800,783	(\$1,780,470)	\$103,020,312

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS AVERAGE RATE OF RETURN For the 12 Months Ending June 30, 2014 INCOME STATEMENT

	(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	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)	ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
PER BOOKS	\$68,680,977	\$	25,512,443	\$18,509,573	\$6,904,313	\$5,801,203	\$4,076,123				\$60,803,655	\$7,877,322
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 EXPENSES 6) ELIMINATE OUT OF PERIOD PTO	\$ (22,731,967) (\$2,911,409) (\$46,38\$)	\$	(22,615,320) (\$2,897,123)	\$226,097	(\$162,075) (\$46,153)	(\$116,704) (\$14,571)	\$65,062 \$22 \$110 \$62,520 (\$89) (\$87,217) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				\$65,062 (\$22,732,002) (\$2,911,584) (\$99,554) (\$46,243) \$138,880 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	(\$65,062) \$35 \$175 \$99,554 (\$142) (\$138,880) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$25,689,760)		(\$25,512,443)	\$226,097	(\$208,228)	(\$131,275)	\$40,408	\$0	\$0	\$0	(\$25,585,440)	(\$104,320)
FPSC ADJUSTED	\$42,991,217	_	\$0	\$18,735,670	\$6,696,085	\$5,669,928	\$4,116,531	\$0	\$0	\$0	\$35,218,215	\$7,773,002
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0	_					\$0				\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$42,991,217		\$0	\$18,735,670	\$6,696,085	\$5,669,928	\$4,116,531	\$0	\$0	\$0	\$35,218,215	7,773,002
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	\$42,991,217		\$0	\$18,735,670	\$4,341,625	\$5,669,928	\$4,889,487	\$0	\$0	\$0	\$33,636,711	\$9,354,506

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN FOR 12 Months Ending June 30, 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 UTKITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$198,251,473	(\$61,506,109)	\$136,745,363	\$0	\$12,675,657	\$149,421,020	(\$5,761,054)	\$143,659,966
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY RECEIVABLES 2) ELIMINATE GOODWILL 3) ELIM. NON-UTILITY PLANT	\$0 (\$2,469,682) \$0 (\$2,170,456)	\$0 \$0 \$0 \$855,892	\$0 (\$2,469,682) \$0 (\$1,314,564)			\$0 (\$2,469,682) \$0 (\$1,314,564)	\$424,662	\$424,662 (\$2,469,682) \$0 {\$1,314,564}
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS TOTAL FPSC ADJUSTMENTS	\$0 \$0 (\$4,640,138)	\$0 \$0 \$855,892	\$0 \$0 (\$3,784,246)	\$0	\$0	\$0 \$0 \$0 (\$3,784,246)	\$0 \$5,611,069 \$6,035,731	\$0 \$0 \$5,611,069 \$2,251,485
FPSC ADJUSTED	\$193,611,335	(\$60,650,218)	\$132,961,117	\$o	\$12,675,657	\$145,636,774	\$274,676	\$145,911,451
COMP RATE ADJ REVENUES	\$0	\$0	<u> </u>	\$0	<u>\$0</u>	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$193,611,335	(\$60,650,218)	\$132,961,117	\$0	\$12,675,657	\$145,636,774	\$274,676	\$145,911,451
ELIM. ACQUISITION ADJUSTMENT ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS TOTAL PRO FORMA ADJUSTMENTS	(\$33,347,895) (\$33,347,895)	\$4,474,230	(\$28,873,665) (\$28,873,665)	\$0	\$0	(\$28,873,665) (\$28,873,665)	(\$188,273) (\$188,273)	(\$28,873,665) (\$188,273) (\$29,061,938)
PRO FDRMA ADJUSTED	\$160,263,440	(\$56,175,988)	\$104,087,452_	\$0	\$12,675,657	\$116,763,109	\$86,403	\$116,849,513

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS YEAR END RATE OF RETURN For the 12 Months Ending June 30, 2014 INCOME STATEMENT

	(1) OPERATING	(2) O & M GAS	(3) 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	\$68,680,977	\$ 25,512,443	\$18,509,573	\$6,904,313	\$5,801,203	\$4,076,123				\$60,803,655	\$7,877,322
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	\$ (22,731,967) (\$2,911,409) (\$46,385)	\$ (22,615,320) \$ (2,897,123)	\$226,097	(\$162,075) (\$46,153)	(\$116,704) (\$14,571)	\$117,294 \$22 \$110 \$62,520 (\$89) (\$87,217) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0				\$117,294 (\$22,732,002) (\$2,911,584) (\$99,554) (\$46,243) \$138,880 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	(\$117,294) \$35 \$175 \$99,554 (\$142) (\$138,880) \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
TOTAL FPSC ADJUSTMENTS	(\$25,689,760)	(\$25,512,443)	\$226,097	(\$208,228)	(\$131,275)	\$92,640	\$0	\$0	\$0	(\$25,533,208)	(\$156,552)
FPSC ADJUSTED	\$42, 99 1,217	\$0	\$18,735,670	\$6,696,085	\$5,669,928	\$4,168,763	\$0	\$0	<u>\$0</u>	\$35,270,447	\$7,720,770
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)						\$o_				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$42,991,217	.\$0	\$18,735,670	\$6,696,085	\$5,669,928	\$4,168,763	\$0	\$0	\$0	\$35,270,447	\$7,720,770
ACQUISITION ADJ AMORT EXP (DEDUCTIBLE) ACQUISITION ADJ AMORT EXP (NON-DEDUCTIB				(\$1,789,692) (\$564,768} \$0 \$0		\$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	\$42,991,217	\$0_	\$18,735,670	\$4,341,625	\$5,669,928	\$4,941,719	\$0_	\$0_	\$0	\$33,688,943	\$9,302,274

FLORIDA PUBLIC UTILITIES COMPANY NATURAL GAS CAPITAL STRUCTURE June 30, 2014 FPSC ADJUSTED BASIS

_								LO	W POINT		IDPOINT	н	IGH POINT
		ADJUSTMENTS	ADJUSTED				RATIO	COST	WEIGHTED COST	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST
AVERAGE	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
COMMON EQUITY	\$61,418,751	(\$1,376,867)	\$60,041,884	\$3,467,561	(\$2,469,682)	\$61,039,763	45.92%	9.85%	4.52%	10.85%	4.98%	11.85%	5.44%
LONG TERM DEBT - CU	\$21,270,702		\$21,270,702	\$1,200,895		\$22,471,596	16.90%	5.61%	0.95%	5.61%	0.95%	5.61%	0.95%
SHORT TERM DEBT	\$12,294,768		\$12,294,768	\$694,134		\$12,988,902	9.77%	1.11%	0.11%	1.11%	0.11%	1.11%	0.11%
LONG TERM DEBT - FC	\$4,611,456		\$4,611,456	\$260,352		\$4,871,808	3.67%	13.06%	0.48%	13.06%	0.48%	13.06%	0.48%
SHORT TERM DEBT - REFINANCED LTD	\$6,460,668		\$6,460,668	\$364,754		\$6,825,422	5.13%	4.17%	0.21%	4.17%	0.21%	4.17%	0.21%
CUSTOMER DEPOSITS	\$7,323,356		\$7,323,356			\$7,323,356	5.51%	2.43%	0.13%	2.43%	0.13%	2.43%	0.13%
DEFFERED INCOME TAXES	\$17,402,915		\$17,402,915			\$17,402,915	13.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$10,745		\$10,745			\$10,745	0.01%	6.06%	0.00%	6.52%	0.00%	6.98%	0.00%
TOTAL AVERAGE	\$130,793,361	(\$1,376,867)	\$129,416,494	\$5,987,695	(\$2,469,682)	\$132,934,507	100.00%		6,40%		6.86%		7.32%

								LO	LOW POINT MIDPOINT			HIGH POINT		
	-	ADJUSTMENTS	ADJUSTED				RATIO	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED	
YEAR-END	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
1											. 1			
COMMON EQUITY	\$68,217,213	(\$1,314,564)	\$66,902,649	\$3,506,467	(\$2,469,682)	\$67,939,434	46.56%	9.85%	4.59%	10.85%	5.05%	11.85%	5.52%	
LONG TERM DEBT - CU	\$33,585,947		\$33,585,947	\$1,726,368		\$35,312,314	24.20%	3.96%	0.96%	3.96%	0.96%	3.96%	0.96%	
SHORT TERM DEBT	\$10,932,681		\$10,932,681	\$561,956		\$11,494,637	7.88%	1.32%	0.10%	1.32%	0.10%	1.32%	0.10%	
LONG TERM DEBT - FC	\$4,687,407		\$4,687,407	\$240,939		\$4,928,347	3.38%	12.94%	0.44%	12.94%	0.44%	12.94%	0.44%	
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
CUSTOMER DEPOSITS	\$7,338,936		\$7,338,936			\$7,338,936	5.03%	2.42%	0.12%	2.42%	0.12%	2.42%	0.12%	
DEFFERED INCOME TAXES	\$18,891,499		\$18,891,499			\$18,891,499	12.95%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
TAX CREDITS - WEIGHTED COST	\$6,283		\$6,283			\$6,283	0.00%	6.09%	0.00%	6.55%	0.00%	7.02%	0.00%	
TOTAL YEAR-END	\$143,659,966	(\$1,314,564)	\$142,345,402	\$6,035,730	(\$2,469,682)	\$145,911,450	100.00%	<u></u>	6.21%		6.67%		7.14%	