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NOVEMBER 5, 2012

**HAND DELIVERY**

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

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
12 NOV -5 PM 5:44  
DIVISION OF  
ACCOUNTING & FINANCE

Re: Florida Public Utilities Company/Indiantown Division – Revised 1<sup>st</sup> and 2<sup>nd</sup> Quarter (2012) Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the revised 1<sup>st</sup> and 2<sup>nd</sup> Quarter Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Indiantown Division. One additional hard copy of each report is also included. Two copies of Schedule 1 are provided, because the signed copy of Schedule 1 is slightly less legible.

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

MEK  
Cc://Mr. John Slemkewicz

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 JUNE 30, 2012

REVISED SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	<u>\$144,108</u>	<u>(\$25,845)</u>	<u>\$118,263</u>	<u>(\$30,541)</u>	<u>\$87,722</u>
AVERAGE RATE BASE	<u>\$1,383,304</u>	<u>(\$745,800)</u>	<u>\$637,504</u>	<u>\$675,365</u>	<u>\$1,312,869</u>
AVERAGE RATE OF RETURN	<u>10.42%</u>		<u>18.55%</u>		<u>6.68%</u>
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	<u>\$144,108</u>	<u>(\$26,863)</u>	<u>\$117,245</u>	<u>(\$30,541)</u>	<u>\$86,705</u>
YEAR-END RATE BASE	<u>\$1,297,490</u>	<u>(\$745,800)</u>	<u>\$551,690</u>	<u>\$650,505</u>	<u>\$1,202,195</u>
YEAR-END RATE OF RETURN	<u>11.11%</u>		<u>21.25%</u>		<u>7.21%</u>
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>		
LOW	7.69%		A.	INCL COMP RATE ADJ REVENUES	30.92%
MIDPOINT	8.23%		B.	EXCL COMP RATE ADJ REVENUES	30.92%
HIGH	8.76%				

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 of Regulatory Affairs

*Cheryl Martin*  
 Signature

10/2/2012  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 JUNE 30, 2012

REVISED SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$144,108	(\$25,845)	\$118,263	(\$30,541)	\$87,722
AVERAGE RATE BASE	\$1,383,304	(\$745,800)	\$637,504	\$675,365	\$1,312,869
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YEAR-END RATE OF RETURN	11.11%		21.25%		7.21%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	7.69%				
MIDPOINT	8.23%				
HIGH	8.76%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
A.			INCL COMP RATE ADJ REVENUES		30.92%
B.			EXCL COMP RATE ADJ REVENUES		30.92%

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 of Regulatory Affairs

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 AVERAGE RATE OF RETURN  
 FOR THE THIRTEEN MONTHS ENDED 06/30/2012  
 RATE BASE

REVISED SCHEDULE 2  
 PAGE 1 OF 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	<u>\$1,985,395</u>	<u>(\$710,250)</u>	<u>\$1,275,145</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,275,145</u>	<u>\$108,159</u>	<u>\$1,383,304</u>
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	<u>(\$745,800)</u>		<u>(\$745,800)</u>			<u>(\$745,800)</u>	<u>\$0</u>	<u>\$0</u> <u>(\$745,800)</u>
TOTAL FPSC ADJUSTMENTS	<u>(\$745,800)</u>	<u>\$0</u>	<u>(\$745,800)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$745,800)</u>	<u>\$0</u>	<u>(\$745,800)</u>
FPSC ADJUSTED	<u>\$1,239,595</u>	<u>(\$710,250)</u>	<u>\$529,345</u>	<u>\$0</u>	<u>\$0</u>	<u>\$529,345</u>	<u>\$108,159</u>	<u>\$637,504</u>
COMP RATE ADJ REVENUES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ADJUSTED FOR COMP RATE ADJ REVENUE	<u>\$1,239,595</u>	<u>(\$710,250)</u>	<u>\$529,345</u>	<u>\$0</u>	<u>\$0</u>	<u>\$529,345</u>	<u>\$108,159</u>	<u>\$637,504</u>
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	<u>\$745,800</u>	<u>(\$70,435)</u>	<u>\$675,365</u>	<u>\$0</u>	<u>\$0</u>	<u>\$675,365</u>	<u>\$0</u>	<u>\$675,365</u>
TRANSACTION & TRANSITION COSTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL PRO FORMA ADJUSTMENTS	<u>\$745,800</u>	<u>(\$70,435)</u>	<u>\$675,365</u>	<u>\$0</u>	<u>\$0</u>	<u>\$675,365</u>	<u>\$0</u>	<u>\$675,365</u>
PRO FORMA ADJUSTED	<u>\$1,985,395</u>	<u>(\$780,685)</u>	<u>\$1,204,710</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,204,710</u>	<u>\$108,159</u>	<u>\$1,312,869</u>

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
**AVERAGE RATE OF RETURN**  
 FOR THE THIRTEEN MONTHS ENDED 06/30/2012  
 INCOME STATEMENT

REVISED IEDULE 2  
 PAGE 2 OF 2

	(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	NET OPERATING INCOME
PER BOOKS	\$607,249	\$6,346	\$321,488	\$38,277	\$7,141	\$89,889	\$0	\$0	\$0	\$463,141	\$144,108
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$5,155)				(\$5,155)	\$5,155
2) Natural Gas Allocation Adjustment			\$49,753			(\$19,192)				\$30,561	(\$30,561)
3) Elimination of Rev Related Taxes ( PSC)	(\$3,445)	(\$3,445)				\$0				(\$3,445)	\$0
4) Elimination of Conservation Rev & Exp	(\$3,060)	(\$2,901)				(\$61)				(\$2,962)	(\$98)
5) Income Tax Effective Rate Adjustment						\$342				\$342	(\$342)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	<u>(\$6,505)</u>	<u>(\$6,346)</u>	<u>\$49,753</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$24,067)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,340</u>	<u>(\$25,845)</u>
FPSC ADJUSTED	<u>\$600,744</u>	<u>\$0</u>	<u>\$371,241</u>	<u>\$38,277</u>	<u>\$7,141</u>	<u>\$65,822</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$482,481</u>	<u>\$118,263</u>
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	<u>\$0</u>					<u>\$0</u>				<u>\$0</u>	<u>\$0</u>
ADJUSTED FOR COMP RATE ADJ REVENUES	<u>\$600,744</u>	<u>\$0</u>	<u>\$371,241</u>	<u>\$38,277</u>	<u>\$7,141</u>	<u>\$65,822</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$482,481</u>	<u>\$118,263</u>
ACQUISITION ADJ. - AMORT EXP	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,720</u>	<u>\$0</u>	<u>(\$19,179)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30,541</u>	<u>(\$30,541)</u>
TRANSACTION/TRANSITION COSTS - AMORT EXP	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL PRO FORMA ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,720</u>	<u>\$0</u>	<u>(\$19,179)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30,541</u>	<u>(\$30,541)</u>
PRO FORMA ADJUSTED	<u>\$600,744</u>	<u>\$0</u>	<u>\$371,241</u>	<u>\$87,997</u>	<u>\$7,141</u>	<u>\$46,643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$513,022</u>	<u>\$87,722</u>

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
**YEAR END RATE OF RETURN**  
 FOR THE THIRTEEN MONTHS ENDED 06/30/2012  
 RATE BASE

REVISED SCHEDULE 3  
 PAGE 1 OF 2

	(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	\$2,047,331	(\$729,328)	\$1,318,003	\$0	\$0	\$1,318,003	(\$20,513)	\$1,297,490
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	(\$745,800)		(\$745,800)			(\$745,800)	\$0	\$0 (\$745,800)
TOTAL FPSC ADJUSTMENTS	(\$745,800)	\$0	(\$745,800)	\$0	\$0	(\$745,800)	\$0	(\$745,800)
FPSC ADJUSTED	\$1,301,531	(\$729,328)	\$572,203	\$0	\$0	\$572,203	(\$20,513)	\$551,690
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$1,301,531	(\$729,328)	\$572,203	\$0	\$0	\$572,203	(\$20,513)	\$551,690
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$745,800	(\$95,295)	\$650,505	\$0	\$0	\$650,505	\$0	\$650,505
TRANSACTION & TRANSITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$745,800	(\$95,295)	\$650,505	\$0	\$0	\$650,505	\$0	\$650,505
PRO FORMA ADJUSTED	\$2,047,331	(\$824,623)	\$1,222,708	\$0	\$0	\$1,222,708	(\$20,513)	\$1,202,195

FLORIDA PUBLIC UTILITIES COMPANY  
 INDIANTOWN DIVISION  
 YEAR END RATE OF RETURN  
 FOR THE THIRTEEN MONTHS ENDED 06/30/2012  
 INCOME STATEMENT

REVISED SCHEDULE 3  
 PAGE 2 OF 2

	(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	NET OPERATING INCOME
PER BOOKS	\$607,249	\$6,346	\$321,488	\$38,277	\$7,141	\$89,889	\$0	\$0	\$0	\$463,141	\$144,108
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$4,138)				(\$4,138)	\$4,138
2) Natural Gas Allocation Adjustment			\$49,753			(\$19,192)				\$30,561	(\$30,561)
3) Elimination of Rev Related Taxes ( PSC)	(\$3,445)	(\$3,445)				\$0				(\$3,445)	\$0
4) Elimination of Conservation Rev & Exp	(\$3,060)	(\$2,901)				(\$61)				(\$2,962)	(\$98)
5) Income Tax Effective Rate Adjustment						\$342				\$342	(\$342)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$6,505)	(\$6,346)	\$49,753	\$0	\$0	(\$23,049)	\$0	\$0	\$0	\$20,358	(\$26,863)
FPSC ADJUSTED	\$600,744	\$0	\$371,241	\$38,277	\$7,141	\$66,840	\$0	\$0	\$0	\$483,499	\$117,245
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$600,744	\$0	\$371,241	\$38,277	\$7,141	\$66,840	\$0	\$0	\$0	\$483,499	\$117,245
ACQUISITION ADJ. - AMORT EXP	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
TRANSACTION/TRANSITION COSTS - AMORT EXP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$49,720	\$0	(\$19,179)	\$0	\$0	\$0	\$30,541	(\$30,541)
PRO FORMA ADJUSTED	\$600,744	\$0	\$371,241	\$87,997	\$7,141	\$47,660	\$0	\$0	\$0	\$514,039	\$86,705

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 339,015			\$ 339,015		\$ 339,015	53.18%	10.50%	5.58%	11.50%	6.12%	12.50%
LONG TERM DEBT	\$ 176,710			\$ 176,710		\$ 176,710	27.72%	6.77%	1.88%	6.77%	1.88%	6.77%	1.88%
SHORT TERM DEBT	\$ 33,184			\$ 33,184		\$ 33,184	5.21%	1.26%	0.07%	1.26%	0.07%	1.26%	0.07%
SHORT TERM DEBT REFINANCED LTD	\$ 0			\$ 0		\$ 0	0.00%	6.33%	0.00%	6.33%	0.00%	6.33%	0.00%
CUSTOMER DEPOSITS	\$ 15,929			\$ 15,929		\$ 15,929	2.50%	6.43%	0.16%	6.43%	0.16%	6.43%	0.16%
DEFERRED TAXES	\$ 72,666			\$ 72,666		\$ 72,666	11.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$ 637,504</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 637,504</b>	<b>\$ 0</b>	<b>\$ 637,504</b>	<b>100.00%</b>		<b>7.69%</b>		<b>8.23%</b>		<b>8.76%</b>

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 293,747			\$ 293,747		\$ 293,747	53.25%	10.50%	5.59%	11.50%	6.12%	12.50%
LONG TERM DEBT	\$ 144,548			\$ 144,548		\$ 144,548	26.20%	7.01%	1.84%	7.01%	1.84%	7.01%	1.84%
SHORT TERM DEBT	\$ 17,020			\$ 17,020		\$ 17,020	3.09%	2.07%	0.06%	2.07%	0.06%	2.07%	0.06%
SHORT TERM DEBT REFINANCED LTD	\$ 0			\$ 0		\$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 5,560			\$ 5,560		\$ 5,560	1.01%	6.43%	0.06%	6.43%	0.06%	6.43%	0.06%
DEFERRED TAXES	\$ 90,815			\$ 90,815		\$ 90,815	16.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$ 551,690</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 551,690</b>	<b>\$ 0</b>	<b>\$ 551,690</b>	<b>100.00%</b>		<b>7.55%</b>		<b>8.08%</b>		<b>8.62%</b>