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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

RECEIVED
FLORIDA PUBLIC SERVICE
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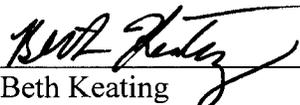
Re: Florida Public Utilities Company – Natural Gas Division/Electric Division – Third Quarter
Surveillance Report

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

	(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	\$ 7,184,582	\$516,015	\$7,700,597	\$1,581,504	\$9,282,101
AVERAGE RATE BASE	\$116,122,114	\$2,162,811	\$118,284,925	(\$31,192,584)	\$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	(\$30,340,325)	\$93,745,492
YEAR-END RATE OF RETURN	5.89%		6.24%		9.94%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	6.62%				
MIDPOINT	7.08%				
HIGH	7.55%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
			A.	INCL ACQUISITION ADJUSTMENT	9.62%
			B.	EXCL ACQUISITION ADJUSTMENT	20.72%

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 per [Signature]
 Signature

12/18/2013
 Date

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

	(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	\$173,021,771	(\$55,176,682)	\$117,845,089	\$0	\$5,281,055	\$123,126,144	(\$7,004,030)	\$116,122,114
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$312,533	\$312,533
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
3) ELIM. NON-UTILITY PLANT	(\$2,060,509)	\$770,320	(\$1,290,189)			(\$1,290,189)		(\$1,290,189)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,610,149	\$5,610,149
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	\$168,491,579	(\$54,406,362)	\$114,085,218	\$0	\$5,281,055	\$119,366,273	(\$1,081,348)	\$118,284,925
PROFORMA ADJUSTMENTS								
			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$32,535,465)	\$2,237,114	(\$30,298,351)			(\$30,298,351)		(\$30,298,351)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$894,233)	(\$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

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

	(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	\$178,764,502	(\$57,576,580)	\$121,187,923	\$0	\$10,748,352	\$131,936,275	(\$9,950,347)	\$121,985,928
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$301,362	\$301,362
2) ELIMINATE GOODWILL	(\$2,469,682)	\$0	(\$2,469,682)			(\$2,469,682)		(\$2,469,682)
	\$0	\$0	\$0			\$0		\$0
3) EUM. NON-UTILITY PLANT	(\$2,178,029)	\$835,170	(\$1,342,860)			(\$1,342,860)		(\$1,342,860)
	\$0	\$0	\$0			\$0		\$0
	\$0	\$0	\$0			\$0	\$0	\$0
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS							\$5,611,069	\$5,611,069
TOTAL FPSC ADJUSTMENTS	(\$4,647,711)	\$835,170	(\$3,812,542)	\$0	\$0	(\$3,812,542)	\$5,912,431	\$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	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$174,116,791	(\$56,741,410)	\$117,375,381	\$0	\$10,748,352	\$128,123,733	(\$4,037,916)	\$124,085,817
PROFORMA ADJUSTMENTS								
			\$0			\$0		\$0
			\$0			\$0		\$0
ELIM. ACQUISITION ADJUSTMENT	(\$32,860,437)	\$3,131,961	(\$29,728,476)			(\$29,728,476)		(\$29,728,476)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							(\$611,849)	(\$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

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	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%
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%
DEFERRED 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%

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED 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%
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%
DEFERRED 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%
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%