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December 13, 2011

**HAND DELIVERY**

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

*Re: Florida Public Utilities Company - 3rd Quarter Earnings Surveillance Reports*

Dear Mr. Willis:

Enclosed, please find the 3<sup>rd</sup> Quarter Earnings Surveillance reports for Florida Public Utilities Company's Electric and Natural Gas divisions. Two copies of Schedule I for both divisions have been enclosed - one being the signed copy and the second being a print from the Excel file in order to obtain a clearer copy. One additional hard copy of each report is also included. In addition, we are including a copy of the Excel files on a CD for ease of reference.

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

FLORIDA PUBLIC UTILITIES COMPANY  
ELECTRIC  
RATE OF RETURN REPORT SUMMARY  
September 30, 2011

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	\$ 2,513,245	(\$414,434)	\$2,098,771	\$0	\$2,098,771
AVERAGE RATE BASE	\$35,447,686	\$5,027,093	\$40,474,779	\$0	\$40,474,779
AVERAGE RATE OF RETURN	7.09%		5.19%		5.19%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$2,513,245	(\$413,524)	\$2,099,721	\$0	\$2,099,721
YEAR-END RATE BASE	\$36,465,927	\$5,403,288	\$41,869,216	\$0	\$41,869,216
YEAR-END RATE OF RETURN	6.89%		5.02%		5.02%

<b>III. REQUIRED RATES OF RETURN AVERAGE (CAPITAL STRUCTURE (FPSC ADJUSTED BASIS))</b>		<b>IV. FINANCIAL INTEGRITY INDICATORS</b>	
LOW	6.85%	A. TIE WITH AFUDC	2.53
MIDPOINT	7.00%	B. TIE WITHOUT AFUDC	2.53
HIGH	7.53%	C. AFUDC TO NET INCOME	0.00
		D. INTERNALLY GENERATED FUNDS	179.09
		E. LTD TO TOTAL INVESTOR FUNDS	29.33
		F. STD TO TOTAL INVESTOR FUNDS	8.15
		G. RETURN ON COMMON EQUITY	7.19

I am aware that Section 927.06, 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 M. Martin per CMy*  
Signature

12/12/2011  
Date

FLORIDA PUBLIC UTILITIES COMPANY  
ELECTRIC  
RATE OF RETURN REPORT SUMMARY  
September 30, 2011

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRQ FORMA ADJUSTMENTS	(5) PRQ FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 2,513,245	(\$414,474)	52,098,771	50	52,098,771
AVERAGE RATE BASE	\$35,447,686	\$5,027,093	\$40,474,779	50	\$40,474,779
AVERAGE RATE OF RETURN	7.09%		5.19%		5.19%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	52,513,245	(\$413,524)	52,099,721	50	52,099,721
YEAR-END RATE BASE	\$36,464,927	\$5,403,288	\$41,868,216	50	\$41,868,216
YEAR-END RATE OF RETURN	6.89%		5.02%		5.02%

<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>		<b>IV. FINANCIAL INTEGRITY INDICATORS</b>	
LDW	6.65%	A. TIE WITH AFUDC	2.53
MIDPOINT	7.09%	B. TIE WITHOUT AFUDC	2.53
HIGH	7.53%	C. AFUDC TO NET INCOME	0.00
		D. INTERNALLY GENERATED FUNDS	179.09
		E. LTD TO TOTAL INVESTOR FUNDS	29.33
		F. STD TO TOTAL INVESTOR FUNDS	6.15
		G. RETURN ON COMMON EQUITY	7.39

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. 775.052, s. 775.083, or s. 775.084.

Cheryl M. Martin  
Director - Regulatory Affairs

Signature

Date

	(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	587,380,497	(544,724,903)	542,655,594	50	5425,913	543,081,507	(57,633,821)	535,447,686
FPSC ADJUSTMENTS								
ELIMINATIONS TO WORKING CAPITAL			50			50	54,577,218	54,577,218
ELIM. NON UTILITY PLANT	(510,985)	573,801	(537,184)			(537,184)		(537,184)
ELIMINATE ACQUISITION ADJUSTMENT	5487,059	50	5487,059			5487,059		5487,059
TOTAL FPSC ADJUSTMENTS	5376,074	573,801	5449,875	50	50	5449,875	54,577,218	55,027,093
FPSC ADJUSTED	587,756,571	(544,651,102)	543,105,469	50	5425,913	543,531,382	(53,056,603)	540,474,779
FLEX RATE REVENUES	50	50	50	50	50	50	50	50
ADJUSTED FOR FLEX RATE REVENUES	587,756,571	(544,651,102)	543,105,469	50	5425,913	543,531,382	(53,056,603)	540,474,779
PROFORMA ADJUSTMENTS								50
TOTAL PRO FORMA ADJUSTMENTS	50	50	50	50	50	50	50	50
PRO FORMA ADJUSTED	587,756,571	(544,651,102)	543,105,469	50	5425,913	543,531,382	(53,056,603)	540,474,779



	(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	\$88,950,804	(546,205,179)	\$42,745,635	\$0	\$463,851	\$43,209,476	(\$5,944,545)	\$36,464,927
<b>FPSC ADJUSTMENTS:</b>								
ELIMINATIONS TO WORKING CAPITAL			\$0			\$0	\$4,955,991	\$4,955,991
ELIM. NON UTILITY PLANT	(\$117,022)	\$77,260	(\$39,762)			(\$39,762)		(\$39,762)
ELIMINATE ACQUISITION ADJUSTMENT	\$487,059	\$0	\$487,059			\$487,059		\$487,059
<b>TOTAL FPSC ADJUSTMENTS</b>	<u>\$370,037</u>	<u>\$77,260</u>	<u>\$447,297</u>	<u>\$0</u>	<u>\$0</u>	<u>\$447,297</u>	<u>\$4,955,991</u>	<u>\$5,401,288</u>
FPSC ADJUSTED	\$89,320,841	(\$46,127,919)	\$43,192,922	\$0	\$463,851	\$43,656,773	(\$1,788,558)	\$41,868,216
COMP RATE ADJ REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	<u>\$89,320,841</u>	<u>(\$46,127,919)</u>	<u>\$43,192,922</u>	<u>\$0</u>	<u>\$463,851</u>	<u>\$43,656,773</u>	<u>(\$1,788,558)</u>	<u>\$41,868,216</u>
<b>PROFORMA ADJUSTMENTS</b>								
TOTAL PROFORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROFORMA ADJUSTED	<u>\$89,320,841</u>	<u>(\$46,127,919)</u>	<u>\$43,192,922</u>	<u>\$0</u>	<u>\$463,851</u>	<u>\$43,656,773</u>	<u>(\$1,788,558)</u>	<u>\$41,868,216</u>



AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRD-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$14,632,694	(\$37,184)	\$14,595,510	\$2,622,705	\$487,059	\$17,705,274	43.74%	10.00%	4.37%	11.00%	4.81%	12.00%	5.75%
LONG TERM DEBT	\$6,652,175		\$6,652,175	1,396,827		\$8,049,002	19.89%	6.95%	1.38%	6.95%	1.38%	6.95%	1.38%
SHORT TERM DEBT	\$1,394,819		\$1,394,819	292,885		\$1,687,704	4.17%	1.42%	0.06%	1.42%	0.06%	1.42%	0.06%
STD REFINANCED LTD	\$1,261,080		\$1,261,080	264,802		\$1,525,882	3.77%	6.38%	0.24%	6.38%	0.24%	6.38%	0.24%
CUSTOMER DEPOSITS	\$3,844,895		\$3,844,895			\$3,844,895	9.50%	6.32%	0.60%	6.32%	0.60%	6.32%	0.60%
DEFERRED INCOME TAXES	\$7,639,803		\$7,639,803			\$7,639,803	18.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$22,220		\$22,220			\$22,220	0.06%	6.05%	0.00%	6.49%	0.00%	6.93%	0.00%
TOTAL AVERAGE	\$35,447,686	(\$37,184)	\$35,410,502	\$4,577,218	\$487,059	\$40,474,779	100.00%		6.65%		7.09%		7.53%

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRD-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$15,242,084	(\$39,762)	\$15,202,322	\$2,857,121	\$487,059	\$18,546,452	44.30%	10.00%	4.43%	11.00%	4.87%	12.00%	5.32%
LONG TERM DEBT	\$7,975,121		\$7,975,121	\$1,728,977		\$9,704,098	23.18%	6.86%	1.59%	6.86%	1.59%	6.86%	1.59%
SHORT TERM DEBT	\$1,706,177		\$1,706,177	\$369,893		\$2,076,070	4.96%	0.88%	0.04%	0.88%	0.04%	0.88%	0.04%
STD REFINANCED LTD	50		50	50		50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,830,281		\$3,830,281			\$3,830,281	9.15%	6.32%	0.58%	6.32%	0.58%	6.32%	0.58%
DEFERRED INCOME TAXES	\$7,695,768		\$7,695,768			\$7,695,768	18.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$15,547		\$15,547			\$15,547	0.04%	6.06%	0.00%	6.50%	0.00%	6.95%	0.00%
TOTAL YEAR-END	\$36,464,928	(\$39,762)	\$36,425,166	\$4,955,991	\$487,059	\$41,868,216	100.00%		6.64%		7.08%		7.53%