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March 30, 2012

**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 – 4th Quarter (2011) Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the 4th Quarter Earnings Surveillance reports for Florida Public Utilities Company's Electric and Natural Gas divisions, as well as the report for the Florida Division of Chesapeake Utilities Corporation. One additional hard copy of each report is also included.

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

	(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	\$ 1,970,669	(\$164,994)	\$1,805,675	\$0	\$1,805,675
AVERAGE RATE BASE	\$35,785,987	\$4,766,922	\$40,552,908	\$0	\$40,552,908
AVERAGE RATE OF RETURN	5.51%		4.45%		4.45%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$1,970,669	(\$174,806)	\$1,795,863	\$0	\$1,795,863
YEAR-END RATE BASE	\$38,727,777	\$3,324,548	\$42,052,325	\$0	\$42,052,325
YEAR-END RATE OF RETURN	5.09%		4.27%		4.27%

<b>III. REQUIRED RATES OF RETURN</b>		<b>IV. FINANCIAL INTEGRITY INDICATORS</b>	
<b>AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>		<b>A. TIE WITH AFUDC</b>	
LOW	6.66%	<b>B. TIE WITHOUT AFUDC</b> 2.07	
MIDPOINT	7.10%	<b>C. AFUDC TO NET INCOME</b> 0.00	
HIGH	7.54%	<b>D. INTERNALLY GENERATED FUNDS</b> 94.58	
		<b>E. LTD TO TOTAL INVESTOR FUNDS</b> 29.65	
		<b>F. STD TO TOTAL INVESTOR FUNDS</b> 6.55	
		<b>G. RETURN ON COMMON EQUITY</b> 5.38	

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 M. Martin*  
Signature

3/30/12  
Date

FLORIDA PUBLIC UTILITIES COMPANY  
 ELECTRIC  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending December 31, 2011  
 RATE BASE

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	\$87,817,461	(\$45,230,259)	\$42,587,202	\$0	\$422,718	\$43,009,920	(\$7,223,934)	\$35,785,987
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL			\$0			\$0	\$4,357,007	\$4,357,007
ELIM. NON UTILITY PLANT	(\$113,407)	\$73,729	(\$39,678)			(\$39,678)		(\$39,678)
ELIMINATE ACQUISITION ADJUSTMENT	\$449,593	\$0	\$449,593			\$449,593		\$449,593
TOTAL FPSC ADJUSTMENTS	\$336,186	\$73,729	\$409,915	\$0	\$0	\$409,915	\$4,357,007	\$4,766,922
FPSC ADJUSTED	\$88,153,647	(\$45,156,530)	\$42,997,117	\$0	\$422,718	\$43,419,835	(\$2,866,927)	\$40,552,908
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$88,153,647	(\$45,156,530)	\$42,997,117	\$0	\$422,718	\$43,419,835	(\$2,866,927)	\$40,552,908
PROFORMA ADJUSTMENTS								\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$88,153,647	(\$45,156,530)	\$42,997,117	\$0	\$422,718	\$43,419,835	(\$2,866,927)	\$40,552,908

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M FUEL 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	\$94,927,750	\$ 71,371,596	\$10,870,170	\$3,450,679	\$6,863,974	\$400,662				\$92,957,081	\$1,970,669
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH ADJUSTMENT						\$165,234				\$165,234	(\$165,234)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (70,628,259)	\$ (70,579,541)			(\$52,723)	\$1,545				(\$70,630,719)	\$2,460
3) ELIMINATE CONSERVATION	(\$796,028)	(\$792,053)			\$573	(\$1,754)				(\$793,236)	(\$2,792)
4)NON-UTILITY DEPRECIATION EXPENSE				(\$930)		\$359				(\$571)	\$571
						\$0				\$0	\$0
						\$0				\$0	\$0
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						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$71,424,287)	(\$71,371,596)	\$0	(\$930)	(\$52,151)	\$165,384	\$0	\$0	\$0	(\$71,259,293)	(\$164,994)
FPSC ADJUSTED	\$23,503,463	\$0	\$10,870,170	\$3,449,749	\$6,811,823	\$566,046	\$0	\$0	\$0	\$21,697,788	\$1,805,675
PRO FORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$23,503,463	\$0	\$10,870,170	\$3,449,749	\$6,811,823	\$566,046	\$0	\$0	\$0	\$21,697,788	\$1,805,675

	(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	\$90,059,399	(\$46,505,749)	\$43,553,651	\$0	\$1,022,066	\$44,575,717	(\$5,847,939)	\$38,727,777
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL			\$0			\$0	\$3,369,806	\$3,369,806
ELIM. NON UTILITY PLANT	(\$120,741)	\$75,483	(\$45,258)			(\$45,258)		(\$45,258)
ELIMINATE ACQUISITION ADJUSTMENT	\$0	\$0	\$0			\$0		\$0
TOTAL FPSC ADJUSTMENTS	(\$120,741)	\$75,483	(\$45,258)	\$0	\$0	(\$45,258)	\$3,369,806	\$3,324,548
FPSC ADJUSTED	\$89,938,658	(\$46,430,265)	\$43,508,393	\$0	\$1,022,066	\$44,530,459	(\$2,478,133)	\$42,052,325
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$89,938,658	(\$46,430,265)	\$43,508,393	\$0	\$1,022,066	\$44,530,459	(\$2,478,133)	\$42,052,325
PROFORMA ADJUSTMENTS								\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$89,938,658	(\$46,430,265)	\$43,508,393	\$0	\$1,022,066	\$44,530,459	(\$2,478,133)	\$42,052,325

FLORIDA PUBLIC UTILITIES COMPANY  
 ELECTRIC  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending December 31, 2011  
 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M FUEL 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	594,827,750	\$ 71,371,596	\$10,870,170	\$3,450,679	\$6,863,974	\$400,662				\$92,957,081	\$1,970,669
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNCH ADJUSTMENT						\$175,046				\$175,046	(\$175,046)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (70,628,259)	\$ (70,579,541)			(\$52,723)	\$1,545				(\$70,630,719)	\$2,460
3) ELIMINATE CONSERVATION	(\$796,028)	(\$792,055)			\$573	(\$1,754)				(\$793,236)	(\$2,792)
4) NON-UTILITY DEPRECIATION EXPENSE				(\$930)		\$359				(\$571)	\$571
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
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						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	<u>(\$71,424,287)</u>	<u>(\$71,371,596)</u>	<u>\$0</u>	<u>(\$930)</u>	<u>(\$52,151)</u>	<u>\$175,196</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$71,249,481)</u>	<u>(\$174,806)</u>
FPSC ADJUSTED	<u>523,503,463</u>	<u>\$0</u>	<u>\$10,870,170</u>	<u>\$3,449,749</u>	<u>\$6,811,823</u>	<u>\$575,858</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,707,600</u>	<u>\$1,795,863</u>
PRO FORMA ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS	<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>
PRO FORMA ADJUSTED	<u>523,503,463</u>	<u>\$0</u>	<u>\$10,870,170</u>	<u>\$3,449,749</u>	<u>\$6,811,823</u>	<u>\$575,858</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,707,600</u>	<u>\$1,795,863</u>

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	\$15,014,745	(\$39,678)	\$14,975,067	\$2,525,179	\$449,593	\$17,949,839	44.26%	10.00%	4.43%	11.00%	4.87%	12.00%	5.31%
LONG TERM DEBT	\$6,979,688		\$6,979,688	1,364,395		\$8,344,083	20.58%	6.91%	1.42%	6.91%	1.42%	6.91%	1.42%
SHORT TERM DEBT	\$1,542,118		\$1,542,118	301,454		\$1,843,572	4.55%	1.24%	0.06%	1.24%	0.06%	1.24%	0.06%
STD REFINANCED LTD	\$849,072		\$849,072	165,977		\$1,015,049	2.50%	6.33%	0.16%	6.33%	0.16%	6.33%	0.16%
CUSTOMER DEPOSITS	\$3,878,917		\$3,878,917			\$3,878,917	9.57%	6.14%	0.59%	6.14%	0.59%	6.14%	0.59%
DEFERRED INCOME TAXES	\$7,502,668		\$7,502,668			\$7,502,668	18.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$18,779		\$18,779			\$18,779	0.05%	6.07%	0.00%	6.51%	0.00%	6.95%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$35,785,987</b>	<b>(\$39,678)</b>	<b>\$35,746,309</b>	<b>\$4,357,005</b>	<b>\$449,593</b>	<b>\$40,552,908</b>	<b>100.00%</b>		<b>6.66%</b>		<b>7.10%</b>		<b>7.54%</b>

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	\$17,050,595	(\$45,258)	\$17,005,337	\$2,087,152	\$0	\$19,092,489	45.40%	10.00%	4.54%	11.00%	4.99%	12.00%	5.45%
LONG TERM DEBT	\$8,252,877		\$8,252,877	\$988,324		\$9,241,201	21.98%	6.52%	1.43%	6.52%	1.43%	6.52%	1.43%
SHORT TERM DEBT	\$2,457,775		\$2,457,775	\$294,331		\$2,752,106	6.54%	1.34%	0.09%	1.34%	0.09%	1.34%	0.09%
STD REFINANCED LTD	\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,623,851		\$3,623,851			\$3,623,851	8.62%	6.57%	0.57%	6.57%	0.57%	6.57%	0.57%
DEFERRED INCOME TAXES	\$7,330,363		\$7,330,363			\$7,330,363	17.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$12,316		\$12,316			\$12,316	0.03%	6.06%	0.00%	6.51%	0.00%	6.97%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$38,727,777</b>	<b>(\$45,258)</b>	<b>\$38,682,519</b>	<b>\$3,369,806</b>	<b>\$0</b>	<b>\$42,052,325</b>	<b>100.00%</b>		<b>6.63%</b>		<b>7.08%</b>		<b>7.54%</b>