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**ANNUAL REPORT OF**  
**NATURAL GAS UTILITIES**

**Florida Public Utilities Company**

(EXACT NAME OF RESPONDENT)

**1641 Worthington Road Suite 220**

**West Palm Beach, FL 33409**

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2012

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
13 JUN 25 PM 3: 20  
DIVISION OF  
ACCOUNTING & FINANCE

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Cheryl Martin

Title: Director of Regulatory Affairs

Address: 1641 Worthington Road, Suite 220

City: West Palm Beach

State: FL

Telephone No.: (561) 838-1725

PSC/ECR 020-G (12/03)

## **Independent Auditors' Report**

Board of Directors and Stockholder  
Chesapeake Utilities Corporation and Florida Public Utilities Company – Natural Gas Division

We have audited the accompanying financial statements of Florida Public Utilities Company – Natural Gas Division, which comprise the balance sheets - regulatory basis as of December 31, 2012 and 2011, and the related statements of income - regulatory basis for each of the two years in the period ended December 31, 2012 and the statement of retained earnings - regulatory basis for the year ended December 31, 2012, and the related notes to the financial statements, included on pages 6 through 11 of the accompanying Annual Report of Natural Gas Utilities, as filed with the Florida Public Service Commission.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Florida Public Service Commission, which is substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Florida Public Utilities Company – Natural Gas Division as of December 31, 2012 and 2011, and its income and expenses for the years then ended in accordance with the financial reporting provisions of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

## **Regulatory Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by Florida Public Utilities Company – Natural Gas Division on the basis of the financial reporting provisions of the Florida Public Service Commission, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Restriction on Use**

Our report is intended solely for the information and use of the board of directors and management of Chesapeake Utilities Corporation and Florida Public Utilities Company – Natural Gas Division and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.



Philadelphia, Pennsylvania  
June 20, 2013

**INSTRUCTIONS FOR FILING THE  
ANNUAL REPORT OF NATURAL GAS UTILITIES**

**GENERAL INSTRUCTIONS**

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.). Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

**DEFINITIONS**

- I. Btu per cubic foot - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec. <sup>2</sup>) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

# ANNUAL REPORT OF NATURAL GAS UTILITIES

## IDENTIFICATION

01 Exact Legal Name of Respondent Florida Public Utilities Company	02 Year of Report December 31, 2012
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1641 Worthington Road Suite 220 West Palm Beach, FL 33409	
05 Name of Contact Person Cheryl Martin	06 Title of Contact Person Director of Regulatory Affairs
07 Address of Contact Person (Street, City, State, Zip Code) 1641 Worthington Road, Suite 220, West Palm Beach, FL 33409	
08 Telephone of Contact Person, Including Area Code (561) 838 1725	09 Date of Report (Mo., Day, Yr) 6/20/13

## ATTESTATION

I certify that I am the responsible accounting officer of

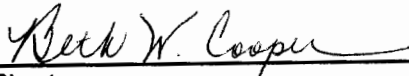
**Florida Public Utilities Company**

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2012 to December 31, 2012, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

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 or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

  
Signature

6/20/13  
Date

Beth W. Cooper  
Name

Chief Financial Officer  
Title

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**CONTROL OVER RESPONDENT**

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s).

2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

1. As of October 28, 2009, Florida Public Utilities Company is a wholly owned subsidiary of Chesapeake Utilities Corporation.
2. Chesapeake Utilities Corporation's Form 10-K report filed with the SEC, is for the fiscal year ending December 31, 2012.

**CORPORATIONS CONTROLLED BY RESPONDENT**

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.

2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.

3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

**DEFINITIONS**

1. See the Uniform System of Accounts for a definition of control.

2. Direct control is that which is exercised without interposition of an intermediary.

3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.

4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
Flo-Gas Corporation	Propane Gas	100%	
<p>Note: Our Parent Company, Chesapeake Utilities Corporation, does directly and indirectly control other subsidiaries. These organizations are listed in Chesapeake Utilities Corporation's Form 10-K.</p>			

**OFFICERS**

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.  
 2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
Chief Executive Officer	Michael P. McMasters	\$ 77,500
President	Jeffry M. Householder	\$ 153,874
Chief Operating Officer	Stephen C. Thompson	\$ -
Chief Financial Officer	Beth W. Cooper	\$ 53,556
Vice President	Jeffrey S. Sylvester	\$ 94,299
Vice President	Kevin J. Webber	\$ 107,965
Vice President	Elaine B. Bittner	\$ 49,140
Vice President	Matthew M. Kim	\$ 34,943
Treasurer	Thomas E. Mahn	\$ 19,708

Note: The salaries above represent only that portion allocated to regulated FPU NG.  
 Jeff Sylvester is no longer serving as an officer, effective November 2012

**DIRECTORS**

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.  
 2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Ralph J. Adkins, Director	909 Silver Lake Blvd., Dover Delaware 19901	26	\$ 2,726
Eugene H. Bayard, Director	909 Silver Lake Blvd., Dover Delaware 19901	12	\$ 3,196
Richard Bernstein, Director	909 Silver Lake Blvd., Dover Delaware 19901	14	\$ 3,666
Thomas J. Bresnan, Director	909 Silver Lake Blvd., Dover Delaware 19901	14	\$ 3,666
Thomas P. Hill, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	16	\$ 4,136
Dennis S. Hudson, III, Director	909 Silver Lake Blvd., Dover Delaware 19901	13	\$ 3,384
Paul L. Maddock, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	12	\$ 3,196
J. Peter Martin, Director	909 Silver Lake Blvd., Dover Delaware 19901	14	\$ 3,666
Joseph E. Moore, Esq., Director	909 Silver Lake Blvd., Dover Delaware 19901	20	\$ 4,900
Calvert A. Morgan, Jr., Director	909 Silver Lake Blvd., Dover Delaware 19901	20	\$ 4,900
Dianna F. Morgan, Director	909 Silver Lake Blvd., Dover Delaware 19901	14	\$ 3,666
John R. Schimkaitis, Director	909 Silver Lake Blvd., Dover Delaware 19901	10	\$ 2,726
Michael P. McMasters, Director, Chairman & CEO	909 Silver Lake Blvd., Dover Delaware 19901	26	\$ -

Note: The fees above represent only that portion allocated to FPU Natural Gas  
 Peter Martin is no longer serving as a Director effective May 2013



**SECURITY HOLDERS AND VOTING POWERS**

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

**VOTING SECURITIES**

Name (Title) and Address of Security Holder (a)	Number of votes as of (date):			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities				
TOTAL number of security holders				
TOTAL votes of security holders listed below				
Effective October 28, 2009 FPU became a wholly-owned subsidiary of Chesapeake Utilities Corporation.				

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquires. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- 1 None
- 2 None
- 3 See Notes to Financial Statements on page 11.16 regarding the expansion into Nassau County and Okeechobee.
- 4 None
- 5 None

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	\$ 183,262,617	\$ 190,636,637
3	Construction Work in Progress (107)	12	\$ 367,638	\$ 2,032,070
4	TOTAL Utility Plant Total of lines 2 and 3)		\$ 183,630,255	\$ 192,668,707
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	\$ (50,268,239)	\$ (54,820,013)
6	Net Utility Plant (Total of line 4 less 5)		\$ 133,362,016	\$ 137,848,694
7	Utility Plant Adjustments (116)			
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)	-	\$ 8,436	\$ 8,436
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-		
12	Investments in Associated Companies (123)	-		
13	Investment in Subsidiary Companies (123.1)	-		
14	Other Investments (124)	-	\$ 8,159	\$ 154
15	Special Funds (125, 126, 128)	-		
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		\$ 16,595	\$ 8,590
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	\$ 926,616	\$ 1,269,305
19	Special Deposits (132-134)	-		
20	Working Funds (135)	-	\$ 19,370	\$ 45,675
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	\$ 6,530,995	\$ 6,761,893
24	Other Accounts Receivable (143)	-	\$ (14,425)	\$ 79,282
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	\$ (140,542)	\$ (112,884)
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-	\$ 109,506,498	\$ 109,374,980
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	\$ 734,081	\$ 258,520
32	Merchandise (155)	-	\$ -	\$ -
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-		
36	Prepayments (165)	18	\$ 372,762	\$ 545,716
37	Advances for Gas (166-167)	-		
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-	\$ 1,927,681	\$ 3,495,813
41	Miscellaneous Current and Accrued Assets (174)	-	\$ -	\$ -
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		\$ 119,863,036	\$ 121,718,299
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-		
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	\$ 17,483,683	\$ 17,892,134
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-	\$ -	\$ -
49	Clearing Accounts (184)	-	\$ -	\$ -
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	19	\$ 1,596,923	\$ 760,649
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20		
55	Accumulated Deferred Income Taxes (190)	24	\$ 4,142,716	\$ 3,435,308
56	Unrecovered Purchased Gas Costs (191)	-		
57	TOTAL Deferred Debits (Total of lines 44 through 56)		\$ 23,223,322	\$ 22,088,091
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		\$ 276,464,968	\$ 281,663,674

**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-		
5	Retained Earnings (215, 216)	10	\$ 81,976,887	\$ 87,984,787
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10		
7	(Less) Reacquired Capital Stock (217)	-		
8	<b>TOTAL Proprietary Capital (Total of lines 2 through 7)</b>		\$ 81,976,887	\$ 87,984,787
9	<b>LONG-TERM DEBT</b>			
10	Bonds (221)	21		
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21		
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21		
16	<b>TOTAL Long-Term Debt (Total of lines 10 through 15)</b>			
17	<b>OTHER NONCURRENT LIABILITIES</b>			
18	Obligations Under Capital Leases - Noncurrent (227)	-		
19	Accumulated Provision for Property Insurance (228.1)	-	\$ 805,943	\$ 811,943
20	Accumulated Provision for Injuries and Damages (228.2)	-	\$ 109,597	\$ 190,765
21	Accumulated Provision for Pensions and Benefits (228.3)	-	\$ 12,668,160	\$ 12,662,219
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	<b>TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)</b>		\$ 13,583,700	\$ 13,664,927
25	<b>CURRENT AND ACCRUED LIABILITIES</b>			
26	Notes Payable (231)	-		
27	Accounts Payable (232)	-	\$ 4,752,305	\$ 4,795,459
28	Notes Payable to Associated Companies (233)	-		
29	Accounts Payable to Associated Companies (234)	-	\$ 114,065,765	\$ 113,751,514
30	Customer Deposits (235)	-	\$ 7,451,122	\$ 7,296,191
31	Taxes Accrued (236)	-	\$ 36,781	\$ 154,977
32	Interest Accrued (237)	-	\$ 447,421	\$ 366,768
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	\$ 1,367,019	\$ 908,724
37	Miscellaneous Current and Accrued Liabilities (242)	22	\$ 1,300,569	\$ 1,472,093
38	Obligations Under Capital Leases-Current (243)	-		
39				
40	<b>TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)</b>		\$ 129,420,982	\$ 128,745,726
41	<b>DEFERRED CREDITS</b>			
42	Customer Advances for Construction (252)	-	\$ 2,445,079	\$ 2,521,747
43	Other Deferred Credits (253)	22	\$ 11,775,028	\$ 11,291,236
44	Other Regulatory Liabilities (254)	22	\$ -	\$ 1,115,991
45	Accumulated Deferred Investment Tax Credits (255)	23	\$ 42,275	\$ 23,117
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	\$ 37,221,017	\$ 36,316,144
49	<b>TOTAL Deferred Credits (Total of lines 42 through 48)</b>		\$ 51,483,399	\$ 51,268,235
50				
51	<b>TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)</b>		\$ 276,464,968	\$ 281,663,674

**STATEMENT OF INCOME**

1. Use page 11 for important notes regarding the statement of income or any account thereof.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year

- which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	\$ 61,451,092	\$ 63,226,651
3	Operating Expenses			
4	Operation Expenses (401)	27-29	36,900,682	\$ 39,436,117
5	Maintenance Expenses (402)	27-29	404,853	\$ 793,661
6	Depreciation Expense (403)	15-16	\$ 3,843,336	\$ 3,586,645
7	Amortization & Depletion of Utility Plant (404-405)	-	\$ 1,493,141	\$ 2,127,024
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	\$ 1,821,676	\$ 1,821,212
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amortization of Conversion Expenses (407.2)	-		
11	Regulatory Debits (407.3)	-	\$ 564,768	\$ 564,445
12	(Less) Regulatory Credits (407.4)	-	\$ (355,740)	\$ -
13	Taxes Other Than Income Taxes (408.1)	23	\$ 4,948,522	\$ 5,281,608
14	Income Taxes - Federal (409.1)	-	\$ 2,105,118	\$ 19,725
15	- Other (409.1)	-	\$ 654,601	\$ 276,842
16	Provision for Deferred Income Taxes (410.1)	24	\$ 2,924,596	\$ 5,107,747
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24	\$ (1,670,155)	\$ (2,424,041)
18	Investment Tax Credit Adjustment - Net (411.4)	23	\$ (19,158)	\$ (25,025)
19	(Less) Gains from Disposition of Utility Plant (411.6)	-		
20	Losses from Disposition of Utility Plant (411.7)	-		
21	Other Operating Income (412-414)	-		
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		\$ 53,616,239	\$ 56,565,959
23	Net Utility Operating Income (Total of line 2 less 22)			
24	(Carry forward to page 9, line 25)		\$ 7,834,853	\$ 6,660,692

**STATEMENT OF INCOME (Continued)**

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		\$ 7,834,853	\$ 6,660,692
26	<b>Other Income and Deductions</b>			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-		
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	10		
35	Interest and Dividend Income (419)	-	\$ 18,267	\$ 46,551
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-	\$ 3,765	\$ 3,926
38	Gain on Disposition of Property (421.1)	-	\$ -	\$ -
39	<b>TOTAL Other Income (Total of lines 29 through 38)</b>		\$ 22,032	\$ 50,477
40	<b>Other Income Deductions</b>			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	33		
43	Miscellaneous Income Deductions (426.1-426.5)	33	\$ 6,851	\$ (71,456)
44	<b>TOTAL Other Income Deductions (Total of lines 41 through 43)</b>		\$ 6,851	\$ (71,456)
45	<b>Taxes Applicable to Other Income and Deductions</b>			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-	\$ 58,182	\$ 45,761
48	Income Taxes - Other (409.2)	-	\$ 9,675	\$ 37,418
49	Provision for Deferred Income Taxes (410.2)	24	\$ (104,514)	\$ (254,348)
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24	\$ 17,938	\$ 179,260
51	Investment Tax Credit Adjustment - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-		
53	<b>TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)</b>		\$ (18,719)	\$ 8,091
54	<b>Net Other Income and Deductions (Total of lines 39,44,53)</b>		\$ 10,165	\$ (12,888)
55	<b>Interest Charges</b>			
56	Interest on Long-Term Debt (427)	-	\$ 1,324,326	\$ 1,630,331
57	Amortization of Debt Discount and Expense (428)	21	\$ 7,303	\$ 8,386
58	Amortization of Loss on Reacquired Debt (428.1)	-	\$ 57,951	\$ 57,951
59	(Less) Amortization of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Associated Companies (430)	33	\$ (2,693)	\$ (32,753)
62	Other Interest Expense (431)	33	\$ 450,231	\$ 684,352
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	<b>Net Interest Charges (Total of lines 56 through 63)</b>		\$ 1,837,118	\$ 2,348,267
65	<b>Income Before Extraordinary Items (Total of lines 25, 54 and 64)</b>		\$ 6,007,900	\$ 4,299,538
66	<b>Extraordinary Items</b>			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	<b>Net Extraordinary Items (Total of line 67 less line 68)</b>			
70	Income Taxes - Federal and Other (409.3)	-		
71	<b>Extraordinary Items After Taxes (Total of line 69 less line 70)</b>			
72	<b>Net Income (Total of lines 65 and 71)</b>		\$ 6,007,900	\$ 4,299,538

**STATEMENT OF RETAINED EARNINGS**

- |  |   |
|--|---|
| <p>1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.</p> <p>2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).</p> <p>3. State the purpose and amount for each reservation or appropriation of retained earnings.</p> <p>4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.</p> | <p>5. Show dividends for each class and series of capital stock.</p> <p>6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.</p> <p>7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.</p> <p>8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.</p> |
|--|---|

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance - Beginning of Year		\$ 81,976,887
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit:		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		\$ 6,007,900
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	FAS 133 Other Comprehensive Income		
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		\$ 87,984,787
<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
			\$ 87,984,787
TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)			\$ 87,984,787

**NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS**

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

## 1. Organization and Basis of Presentation

Florida Public Utilities Company ("FPU") is a utility engaged in the natural gas and electric distribution business in Florida. The natural gas division of FPU, excluding the Indiantown division, ("we," "our" or "us") is engaged in the distribution of natural gas to approximately 53,000 residential, commercial and industrial customers located in Palm Beach, Broward, Martin, Marion, Seminole, Volusia, Nassau and Okeechobee counties in Florida. Our rates and services are subject to regulation by the Florida Public Service Commission ("FPSC"). FPU is a wholly-owned subsidiary of Chesapeake Utilities Corporation ("Chesapeake").

Our financial statements include the accounts of FPU's natural gas operation, excluding the accounts of the Indiantown division. The FPSC requires FPU's Indiantown natural gas division to be reported separately from us and therefore, those accounts are excluded from our financial statements. FPU's electric distribution and unregulated businesses are also excluded from our financial statements.

Our financial statements are prepared in conformity with the accounting requirements of the FPSC, which are substantially equivalent to the accounting requirements of the Federal Energy Regulatory Commission ("FERC") as set forth in the applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("US GAAP"). The accounting requirements of the FERC and the FPSC applied by us in these financial statements are consistent with US GAAP, except for:

- lack of reclassification of certain negative balances on the balance sheets;
- the presentation of deferred income tax assets and liabilities separately rather than as a single amount;
- the presentation of cost of removal as a component of accumulated depreciation rather than as a regulatory liability;
- lack of detail property, plant and equipment component costs disclosure;
- lack of detail regulatory assets and liability disclosure;
- the omission of the statements of cash flows;
- the omission of the statement of retained earnings for prior year for a comparative presentation;
- the accounting treatment of acquisition adjustment and regulatory asset associated with the merger-related costs and the presentation of acquisition adjustment (US GAAP does not reflect the accounting impact of the approval of acquisition adjustment and the regulatory asset retroactively in 2011 and 2010); and
- the presentation of pass-through revenue taxes, such as gross receipts taxes, franchise taxes and sales taxes, as revenues and operating expenses rather than on a net basis.

We do not have any ownership interest in investments accounted for using the equity method or any variable interests in a variable interest entity. We have assessed and reported on subsequent events through June 20, 2013, the date these financial statements are available to be issued.

We reclassified certain amounts in the balance sheet at December 31, 2011 to conform to current year's presentation. These reclassifications are considered immaterial to the overall presentation of our financial statements.

## 2. Summary of Significant Accounting Policies

### Use of Estimates

Our financial statements are prepared based on the accounting requirements of the FPSC and the FERC, which require management to make estimate in measuring assets and liabilities and related revenues and expenses. These estimates involve judgments with respect to, among other things, various future economic factors that are difficult to predict and are beyond our control; therefore, actual results could differ from those estimates.



Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

Utility Plant

Property, plant and equipment is stated at original cost less accumulated depreciation. Costs include direct labor, materials and third-party construction contractor costs, allowance for funds used during construction (“AFUDC”) and certain indirect costs related to equipment and employees engaged in construction. The costs of repairs and minor replacements are charged against income as incurred, and the costs of major renewals and betterments are capitalized. Upon retirement or disposition of utility plant, the gain or loss, net of salvage value, is charged to accumulated depreciation or deferred as regulatory assets or liability as required by the FPSC.

Customer contributions or advances in aid of construction reduce property, plant and equipment unless the amounts are refundable to customers. Contributions or advances may be refundable to customers after a number of years based on the amount of revenues generated from the customers or the duration of the service provided to the customers. Refundable contributions or advances are recorded initially as liabilities. The amounts that are determined to be non-refundable reduce property, plant and equipment at the time of such determination. During the year ended December 31, 2012, there was \$647,500 of non-refunded contributions or advances reducing property, plant and equipment. There were no non-refundable contributions or advances reducing property, plant and equipment during the year ended December 31, 2011.

AFUDC represents the estimated cost of funds, from both debt and equity sources, used to finance the construction of major projects. AFUDC is capitalized in rate base for rate making purposes when the completed projects are placed in service. We did not capitalize AFUDC on utility plant for the years ended December 31, 2012 and 2011.

Included in net utility plant at December 31, 2011 was approximately \$1.1 million associated with the office building located in West Palm Beach, which was subsequently sold in February 2012.

Depreciation

We compute depreciation expense by applying composite, annual rates as approved by FPSC. Depreciation and amortization expenses are provided at an annual rate averaging 3.2 percent and 3.3 percent for 2012 and 2011, respectively.

In accordance with the accounting requirements of the FERC, we include the accretion of the cost of removal for future retirements of utility assets as depreciation expense. For the years ended December 31, 2012 and 2011, \$478,005 and \$425,987, respectively, of such accretion was included in depreciation expense. We also report certain depreciation expense, mainly related to vehicle, computer software and hardware, in operations expense rather than depreciation expense to comply with the accounting requirements of the FERC. For the years ended December 31, 2012 and 2011, \$310,183 and \$312,602, respectively, of such depreciation was reported as operations expense.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

### Regulatory Operations

We account for our operations in accordance with Accounting Standards Codification (“ASC”) Topic 980, “Regulated Operations.” This Topic includes accounting principles for companies whose rates are determined by independent third-party regulators. When setting rates, regulators often make decisions, the economics of which require companies to defer costs or revenues in different periods than may be appropriate for unregulated enterprises. When this situation occurs, a regulated company defers the associated costs as regulatory assets on the balance sheet and records them as expense on the statement of income as it collects revenues. Further, regulators can also impose liabilities upon a regulated company for amounts previously collected from customers, and for recovery of costs that are expected to be incurred in the future as regulatory liabilities. If we were required to terminate the application of these regulatory provisions to our operations, all such deferred amounts would be recognized in the statement of income at that time, which could have a material impact on our financial position, results of operations and cash flows.

We monitor our regulatory and competitive environment to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these assets is no longer probable, we would write off the assets against earnings. We believe that provisions of ASC Topic 980, “Regulated Operations,” continue to apply to our operations and that the recovery of our regulatory assets is probable.

### Operating Revenues

Our operating revenues are based on rates approved by the FPSC. We read meters and bill customers on monthly cycles that do not coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for the charges associated with natural gas delivered, but not yet billed, at the end of an accounting period to the extent that they do not coincide.

We have a fuel cost recovery mechanism. This mechanism provides a method of adjusting the billing rates to reflect changes in the cost of purchased fuel. The difference between the current cost of fuel and the cost of fuel recovered in billed rates is deferred and accounted for as either unrecovered purchased fuel costs or amounts payable to customers. Generally, these deferred amounts are recovered or refunded within one year.

### Operations and Maintenance Expenses

Operations and maintenance expenses are costs associated with the operation and maintenance of our operations. Major cost components include operation and maintenance salaries and benefits, materials and supplies, usage of vehicles, tools and equipment, payments to contractors, utility plant maintenance, customer service, professional fees and other outside services, insurance expense, minor amounts of depreciation and other administrative expenses.

### Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Excess cash generated by our receipts may be transferred to and invested in Chesapeake’s overnight income-producing accounts. We are allocated the portion of interest income generated from those accounts, which reduced interest expense in the accompanying statements of income.

### Accounts Receivable and Accumulated Provision for Uncollectible Accounts

Accounts receivable consist primarily of amounts due for distribution sales of natural gas to customers. A provision for uncollectible account is recorded based upon our collections experiences and management’s assessment of our customers’ inability or reluctance to pay. If circumstances change, our estimates of recoverable accounts receivable may also change. Circumstances which could affect such estimates include, but are not limited to, customer credit issues and general economic conditions. Accounts are written off when they are deemed to be uncollectible.

### Inventories

We use the average cost method to value materials and supplies inventory. If market prices drop below cost, inventory balances that are subject to price risk are adjusted to market values.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

#### Pension and Other Postretirement Plans

Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected returns on plan assets, assumed discount rates, the level of contributions made to the plans, and current demographic and actuarial mortality data. Management annually reviews the estimates and assumptions underlying our pension and other postretirement plan costs and liabilities with the assistance of a third-party actuarial firm. The assumed discount rates and the expected returns on plan assets are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rates, health care cost trend rates and rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

#### Income Taxes and Investment Tax Credit Adjustments

Deferred tax assets and liabilities are recorded for the tax effect of temporary differences between the financial statements bases and tax bases of assets and liabilities and are measured using the enacted tax rates in effect in the years in which the differences are expected to reverse. The portions of our deferred tax liabilities, which have not been reflected in current service rates, represent income taxes recoverable through future rates. Deferred tax assets are recorded net of any valuation allowance when it is more likely than not that such tax benefits will be realized. Investment tax credits on utility property have been deferred and are allocated to income ratably over the lives of the subject property.

We account for uncertainty in income taxes in the financial statements only if it is more likely than not that an uncertain tax position is sustainable based on technical merits. Recognizable tax positions are then measured to determine the amount of benefit recognized in the financial statements. We recognize penalties and interest related to unrecognized tax benefits as a component of other income.

#### Financial Instruments

We have entered into agreements with suppliers to purchase natural gas for resale to our customers. Purchases under these contracts either do not meet the definition of derivatives or are considered "normal purchases" and are accounted for on an accrual basis.

Financial assets and liabilities with carrying values approximating fair value include cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities. The fair value of cash and cash equivalents is measured using the comparable value in the active market and approximates its carrying value (Level 1 measurement).

### 3. Transactions with affiliates

#### Financing Arrangements

Our excess cash is transferred to Chesapeake to be invested in overnight income-producing accounts. We utilize Chesapeake's short-term borrowing facility and Chesapeake's and FPU's long-term debt to satisfy our financing needs. For the years ended December 31, 2012 and 2011, Chesapeake and FPU allocated to us \$1,459,290 and \$1,882,498, respectively, in interest expense, which represents a portion of interest from Chesapeake's short-term and Chesapeake's and FPU's long-term debt allocated to us, net of a portion of interest income from the overnight income-producing accounts allocated to us.

#### Allocated Costs from Affiliates

Chesapeake provides us with administrative and support services. These services include certain managerial, accounting, information technology, payroll, human resources and treasury services. For the years ended December 31, 2012 and 2011, Chesapeake charged us \$4,453,303 and \$3,837,186, respectively, for these services.

We provide certain managerial, operations and customer service functions to the Florida Division of Chesapeake ("CFG"). For each of the years ended December 31, 2012 and 2011, we charged CFG \$1,997,376 for these services.

#### Advances from Affiliates

As of December 31, 2012 and 2011, we had advances from Chesapeake and its subsidiaries in the amount of \$4,376,534 and \$4,559,267, respectively. These amounts are reflected as accounts receivable from associated companies and accounts payable to associated companies in the accompanying financial statements.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

Firm Transportation Service and Natural Gas Purchase

In April 2012, Peninsula Pipeline Company, Inc. ("Peninsula Pipeline") a wholly-owned subsidiary of Chesapeake, commenced firm transportation service in conjunction with our expansion to Nassau and Okeechobee counties, Florida. See Note 9 "Rates and Other Regulatory Activities" for additional information. We incurred \$1,582,497 in cost associated with this transportation service, which was included in the cost of fuel and our fuel cost recovery mechanism.

During 2012, Peninsula Energy Services Company, Inc., Chesapeake's natural gas marketing subsidiary, provided natural gas supply service for \$3,029,335, which was included in the cost of fuel and our fuel cost recovery mechanism.

4. Income Taxes

Prior to the merger with Chesapeake, FPU filed a separate federal income tax return. After the merger, FPU is included in the Chesapeake consolidated federal tax return, along with all of Chesapeake's other subsidiaries. FPU files a separate state income tax return in the state of Florida. Income taxes are allocated to us as if we were a separate taxpayer.

In January 2012, the Internal Revenue Service ("IRS") informed Chesapeake that its 2009 consolidated federal tax return has been selected for examination. Our results from October 29, 2009 to December 31, 2009 (the post-merger period) are included in Chesapeake's consolidated federal tax return for 2009. The IRS completed its examination in 2012 without any findings.

During 2011, the IRS performed its examination of FPU's consolidated federal returns for 2008 and for the period from January 1, 2009 to October 28, 2009 (the pre-merger period in 2009, during which FPU was required to file a separate federal tax return) and proposed a disallowance of approximately \$135,000 and \$256,000, respectively, of the environmental expenditure deductions taken by FPU related to one of the environmental remediation sites. FPU disagreed with the IRS finding and filed an appeal, which is currently underway. The IRS finding is based on FPU's failure to follow a technical requirement to label these environmental expenditures in a specific way on the returns. At FPU's request, the IRS granted relief in 2012, which allowed FPU to correctly label such expenditures for 2008 and 2009. FPU believes that those deductions will likely be sustained during the appeal process based on the IRS's grant of such relief. Accordingly, we did not record any accrual as of December 31, 2012 and 2011, related to the examination by the IRS of FPU returns.

As of December 31, 2011, we recorded a deferred tax asset of \$1,159,064 related to our portion of Chesapeake's 2011 federal net operating loss carryforwards, which expire in 2026. The Chesapeake federal net operating losses from 2011 are expected to be fully utilized upon filing the Chesapeake 2012 federal income tax return. None of the Chesapeake's federal net operating losses from 2011 remained at December 31, 2012.

The following table provides: (a) the components of income tax expense in 2012 and 2011; (b) the reconciliation between the statutory federal income tax rate for 2012 and 2011; and (c) the components of accumulated deferred income tax assets and liabilities at December 31, 2012 and 2011.

Florida Public Utilities Company		For the Year Ended
Natural Gas Division		December 31, 2012
NOTES TO FINANCIAL STATEMENTS		

For the Years Ended December 31,	2012	2011
<b>Income Tax Expense</b>		
Current	\$2,691,862	\$213,388
Deferred	1,341,017	2,758,794
Investment tax credits, net	(19,158)	(25,025)
<b>Total Income Tax Expense</b>	<b>\$4,013,721</b>	<b>\$2,947,157</b>

**Reconciliation of Effective Income Tax Rates:**

Federal income tax expense, 35% in 2012 and 2011	\$3,507,567	\$2,536,344
State income taxes, net of federal tax benefit	358,273	259,069
Other	147,881	151,744
<b>Total Income Tax Expense</b>	<b>\$4,013,721</b>	<b>\$2,947,157</b>

At December 31,	2012	2011
<b>Deferred Income Tax Liabilities</b>		
Acquisition adjustment	\$17,440,143	\$18,090,087
Merger-related costs	225,526	348,538
Property, plant and equipment	18,534,380	18,374,440
Other	116,095	407,952
<b>Total Deferred Income Tax Liabilities</b>	<b>\$36,316,144</b>	<b>\$37,221,017</b>

**Deferred Income Tax Assets**

Environmental costs	\$2,030,459	\$2,055,302
Net operating loss carry forwards	-	1,159,064
Self insurance	-	45,939
Storm reserve liability	313,207	310,893
Other	1,091,641	571,518
<b>Total Deferred Income Tax Assets</b>	<b>\$3,435,307</b>	<b>\$4,142,716</b>

5. Customer Concentration

We operate entirely in the natural gas distribution business. Our operations include the transportation of natural gas in intra-state commerce. We did not have any customer that accounted for more than 10 percent of our revenues for the years ended December 31, 2012 and 2011.

6. Lease Obligations

We have entered into several operating lease arrangements for equipment and right of way for pipeline facilities. FPU has also entered into lease operating lease arrangements for office and warehouse space and has allocated to us rent for our use of these spaces. Rent expense for the years ended December 31, 2012 and 2011 totaled \$192,568 and \$35,873 respectively, with no future minimum payments for these leases.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

## 7. Employee Benefit Plans

### Retirement Plans

Eligible FPU employees participate in various benefit plans sponsored by FPU. FPU allocates to us a portion of the benefit costs associated with these plans. Our share of the costs is based on a portion of the benefits related to providing services to us. For the years ended December 31, 2012 and 2011, we recorded the benefit costs of \$984,157 and \$1,129,842, respectively, related to these plans.

FPU continues to sponsor and maintain a separate defined benefit pension plan ("FPU Pension Plan") and a separate unfunded postretirement medical plan ("FPU Medical Plan") for eligible FPU employees after the merger with Chesapeake.

FPU measures the assets and obligations of the defined benefit pension plan and other postretirement benefit plans to determine the plans' funded status as of the end of the year as an asset or a liability on its consolidated balance sheets. A portion of this asset or liability related to us is reflected on our balance sheet. At December 31, 2012 and 2011, \$12,662,218 and \$12,668,159, respectively, of the pension and postretirement benefit liabilities were assigned to us.

FPU records as a component of other comprehensive income/loss for its unregulated operations and a regulatory asset for its regulated operations pursuant to a FPSC order, the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs. The following table presents the amounts not yet reflected in net periodic benefit cost and included in FPU's accumulated other comprehensive income/loss or regulatory asset related to the above plans as of December 31, 2012:

<i>(in thousands)</i>	FPU Pension Plan	FPU Medical Plan	Total
Net loss	\$15,517	\$18	\$15,535
Total	\$15,517	\$18	\$15,535
Accumulated other comprehensive loss pre-tax <sup>(1)</sup>	\$2,948	\$3	\$2,951
Post-merger regulatory asset	12,569	15	12,584
Subtotal	15,517	18	15,535
Pre-merger regulatory asset	5,109	62	5,171
Total unrecognized cost	\$20,626	\$80	\$20,706

<sup>(1)</sup>The total amount of accumulated other comprehensive loss recorded on FPU's consolidated balance sheet as of December 31, 2012 is net benefits of \$1.1 million.

The pre-merger regulatory asset of \$5.2 million at December 31, 2012 represents the portion attributable to FPU's natural gas and electric operations of the changes in the funded status in the FPU Pension Plan and FPU Medical Plan that occurred but were not recognized, as part of the net periodic benefit costs prior to the merger. FPU deferred this portion as a regulatory asset prior to the merger with Chesapeake pursuant to a previous order by the FPSC and continue to amortize it over the remaining service period of the participants at the time of the merger.

During the second half of 2011, FPU experienced a significant decline in interest and other corporate bond rates, and as a result, it used lower discount rates for its pension and other postretirement plans at December 31, 2011 to estimate the benefit obligations of those plans. FPU also experienced a decline in plan asset value during 2011, which, in conjunction with the higher benefit obligations, resulted in higher unrecognized costs at December 31, 2011. The total unrecognized cost of FPU's pension and postretirement benefits plans was \$17.9 million at December 31, 2011, compared to \$8.6 million at December 31, 2010.

At December 31, 2012 and 2011, \$11.6 million and \$10.2 million, respectively, of regulatory asset associated with the unrecognized cost of FPU's plans were assigned to us.

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The amounts in accumulated other comprehensive income/loss and regulatory asset for FPU's pension and postretirement benefits plans that are expected to be recognized as a component of net benefit cost in 2013 are set forth in the following table:

<i>(in thousands)</i>	FPU Pension Plan	FPU Medical Plan	Total
Net loss	\$ 332	\$ -	\$ 332
Amortization of pre-merger regulatory asset	\$ 761	\$ 8	\$ 769

In March 2011, new plan provisions for the FPU Medical Plan were adopted in a continuing effort to standardize FPU benefits with those offered by Chesapeake. The new plan provisions, which became effective January 1, 2012, require eligible employees retiring in 2012 through 2014 to pay a portion of the total benefit costs based on the year they retire. Participants retiring in 2015 and after will be required to pay the full benefit costs associated with participation in the FPU Medical Plan. The change in the FPU Medical Plan resulted in a curtailment gain of \$892,000. FPU recorded \$170,000 of this curtailment gain, which was allocated to FPU's unregulated operations, in 2012. FPU deferred \$722,000 of this curtailment gain of which \$464,000 is included in our regulatory liabilities at December 31, 2012. The deferred portion of our curtailment gain was associated with FPU's regulated operations. Since FPU determined that the non-recurring gain resulted from FPU merger with Chesapeake and the related integration, FPU determined that the appropriate accounting treatment prescribed deferral and amortization over a future period, as specified by the FPSC.

#### Defined Benefit Pension Plan

The FPU Pension Plan covers eligible FPU non-union employees hired before January 1, 2005 and union employees hired before the respective union contract expiration dates in 2005 and 2006.

In March 2009 and October 2009, FPU amended the FPU Pension Plan in an effort to reduce anticipated future pension expenses. As a result of these amendments, the FPU Pension Plan was frozen for all participants effective December 31, 2009. All future benefit accruals under the plan were ceased, including freezing salary rates at 2009 average compensation levels as of December 31, 2009. In addition to the freeze, the reduced early retirement eligibility was lowered from 30 years to 20 years and two additional service years were earned by active participants at the December 31, 2009 average compensation levels for the purposes of benefit accrual, vesting and retirement eligibility. Beyond December 31, 2011, active participants will continue to accrue service years for the purposes of vesting and retirement eligibility.

FPU's funding policy provides that payments to the trustee shall be equal to at least the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The following schedule summarizes the assets of the FPU Pension Plan, by investment type, at December 31, 2012 and 2011:

<b>At December 31,</b>	<b>2012</b>	<b>2011</b>
<b>Asset Category</b>		
Equity securities	52.81%	51.98%
Debt securities	38.04%	38.05%
Other	9.15%	9.97%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

In December 2011, FPU changed the investments and investment asset allocation of the FPU Pension Plan assets to better align it with the investment goals and objectives established for the plan. The investment policy of the FPU Pension Plan is designed to provide the capital assets necessary to meet the financial obligations of the plan. The investment goals and objectives are to achieve investment returns that together with contributions will provide funds adequate to pay promised benefits to present and future beneficiaries of the plan, earn a long-term investment return in excess of the growth of the plan's retirement liabilities, minimize pension expense and cumulative contributions

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resulting from liability measurement and asset performance and maintain a diversified portfolio to reduce the risk of large losses.

On June 29, 2012, the United States Congress passed the "Moving Ahead for Progress in the 21st Century Act" (also known as the "Transportation and Student Loan Bill"). Included in this legislation was pension funding relief, which allows pension sponsors to use 25-year average corporate bond rates rather than current interest rates to measure pension obligations for pension funding purposes. Although this legislation does not affect the accounting treatment of pension plans, the allowed use of higher interest rates to measure pension plan obligations for funding purposes reduces the minimum pension plan contribution requirements. Despite the reduction in the minimum pension plan contribution requirements, we made 2012 pension plan contributions at levels similar to those we had initially estimated prior to the passage of the legislation. This represented minimum contribution payments using the current interest rates to measure pension plan obligations as well as additional contributions to achieve a certain level of funding in those plans.

The following allocation range of asset classes is intended to produce a rate of return sufficient to meet the plans' goals and objectives:

#### Asset Allocation Strategy

Asset Class	Minimum Allocation Percentage	Maximum Allocation Percentage
Domestic Equities (Large Cap, Mid Cap and Small Cap)	14%	32%
Foreign Equities (Developed and Emerging Markets)	13%	25%
Fixed Income (Inflation Bond and Taxable Fixed)	26%	40%
Alternative Strategies (Long/Short Equity and Hedge Fund of Funds)	6%	14%
Diversifying Assets (High Yield Fixed Income, Commodities, and Real Estate)	7%	19%
Cash	0%	5%

Due to periodic contributions and different asset classes producing different returns, the actual asset values may temporarily move outside of the intended ranges. The investments are monitored on a quarterly basis, at a minimum, for asset allocation and performance.



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At December 31, 2012, the assets of FPU Pension Plan were comprised of the following investments:

Asset Category <i>(in thousands)</i>	Fair Value Measurement Hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Equity securities</b>				
U.S. Large Cap <sup>(1)</sup>	\$2,910	\$2,866	\$ -	\$5,776
U.S. Mid Cap <sup>(1)</sup>	-	2,572	-	2,572
U.S. Small Cap <sup>(1)</sup>	-	1,268	-	1,268
International <sup>(2)</sup>	8,405	-	-	8,405
Alternative Strategies <sup>(3)</sup>	4,136	-	-	4,136
	15,451	6,706	-	22,157
<b>Debt securities</b>				
Inflation Protected <sup>(4)</sup>	2,084	-	-	2,084
Fixed income <sup>(5)</sup>	-	11,757	-	11,757
High Yield <sup>(5)</sup>	-	2,118	-	2,118
	2,084	13,875	-	15,959
<b>Other</b>				
Commodities <sup>(6)</sup>	1,596	-	-	1,596
Real Estate <sup>(7)</sup>	1,701	-	-	1,701
Guaranteed deposit <sup>(8)</sup>	-	-	541	541
	3,297	-	541	3,838
<b>Total Pension Plan Assets</b>	<b>\$20,832</b>	<b>\$20,581</b>	<b>\$541</b>	<b>\$41,954</b>

<sup>(1)</sup> Includes funds that invest primarily in United States common stocks.

<sup>(2)</sup> Includes funds that invest primarily in foreign equities and emerging markets equities.

<sup>(3)</sup> Includes funds that actively invest in both equity and debt securities, funds that sell short securities and funds that provide long-term capital appreciation. The funds may invest in debt securities below investment grade.

<sup>(4)</sup> Includes funds that invest primarily in inflation-indexed bonds issued by the U.S. government.

<sup>(5)</sup> Includes funds that invest in investment grade and fixed income securities.

<sup>(6)</sup> Includes funds that invest primarily in commodity-linked derivative instruments and fixed income securities.

<sup>(7)</sup> Includes funds that invest primarily in real estate.

<sup>(8)</sup> Includes investment in a group annuity product issued by an insurance company.

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At December 31, 2011, the assets of FPU Pension Plan were comprised of the following investments:

Asset Category	Fair Value Measurement Hierarchy			Total
	Level 1	Level 2	Level 3	
<i>(in thousands)</i>				
Equity securities				
U.S. Large Cap <sup>(1)</sup>	\$2,647	\$2,652	\$ -	\$5,299
U.S. Mid Cap <sup>(1)</sup>	-	2,258	-	2,258
U.S. Small Cap <sup>(1)</sup>	-	1,128	-	1,128
International <sup>(2)</sup>	7,205	-	-	7,205
Alternative Strategies <sup>(3)</sup>	3,777	-	-	3,777
	<u>13,629</u>	<u>6,038</u>	<u>-</u>	<u>19,667</u>
Debt securities				
Inflation Protected <sup>(4)</sup>	1,882	-	-	1,882
Fixed income <sup>(5)</sup>	-	10,616	-	10,616
High Yield <sup>(5)</sup>	-	1,898	-	1,898
	<u>1,882</u>	<u>12,514</u>	<u>-</u>	<u>14,396</u>
Other				
Commodities <sup>(6)</sup>	1,506	-	-	1,506
Real Estate <sup>(7)</sup>	1,512	-	-	1,512
Guaranteed deposit <sup>(8)</sup>	-	-	755	755
	<u>3,018</u>	<u>-</u>	<u>755</u>	<u>3,773</u>
Total Pension Plan Assets	<u>\$18,529</u>	<u>\$18,552</u>	<u>\$755</u>	<u>\$37,836</u>

<sup>(1)</sup> Includes funds that invest primarily in United States common stocks.

<sup>(2)</sup> Includes funds that invest primarily in foreign equities and emerging markets equities.

<sup>(3)</sup> Includes funds that actively invest in both equity and debt securities, funds that sell short securities and funds that provide long-term capital appreciation. The funds may invest in debt securities below investment grade.

<sup>(4)</sup> Includes funds that invest primarily in inflation-indexed bonds issued by the U.S. government.

<sup>(5)</sup> Includes funds that invest in investment grade and fixed income securities.

<sup>(6)</sup> Includes funds that invest primarily in commodity-linked derivative instruments and fixed income securities.

<sup>(7)</sup> Includes funds that invest primarily in real estate.

<sup>(8)</sup> Includes investment in a group annuity product issued by an insurance company.

At December 31, 2012 and 2011, all of the investments classified under Level 1 of the fair value measurement hierarchy were recorded at fair value based on unadjusted quoted prices in active markets for identical investments. The Level 2 investments were recorded at fair value based on net asset value per unit of the investments, which used significant observable inputs although those investments were not traded publicly and did not have quoted market prices in active markets. The Level 3 investments were guaranteed deposit accounts, which were valued based on liquidation value of those accounts, including the effect of the balance and interest guarantee and liquidation restriction.

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The following table sets forth the summary of the changes in the fair value of Level 3 investments for the FPU Pension Plan for the years ended December 31, 2012 and 2011:

At December 31,	2012	2011
<i>(in thousands)</i>		
<b>Balance, beginning of year</b>	\$ 755	\$ -
Purchases	51	755
Transfers in	2,700	-
Disbursements	(2,978)	-
Investment Income	13	-
<b>Balance, end of year</b>	<b>\$ 541</b>	<b>\$ 755</b>

The following schedule sets forth the funded status of the FPU Pension Plan at December 31, 2012 and 2011:

At December 31,	2012	2011
<i>(in thousands)</i>		
<b>Change in benefit obligation:</b>		
Benefit obligation — beginning of year	\$ 57,999	\$ 52,478
Interest cost	2,577	2,695
Actuarial loss	6,915	5,403
Benefits paid	(2,979)	(2,577)
Benefit obligation — end of year	<b>64,512</b>	<b>57,999</b>
<b>Change in plan assets:</b>		
Fair value of plan assets — beginning of year	37,836	40,201
Actual return on plan assets	4,526	(1,101)
Employer contributions	2,571	1,313
Benefits paid	(2,979)	(2,577)
Fair value of plan assets — end of year	<b>41,954</b>	<b>37,836</b>
<b>Reconciliation:</b>		
Funded status	(22,558)	(20,163)
<b>Accrued pension cost</b>	<b>\$ (22,558)</b>	<b>\$ (20,163)</b>
<b>Assumptions:</b>		
Discount rate	3.75%	4.50%
Expected return on plan assets	7.00%	7.00%

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Net periodic pension cost (benefit) for the FPU Pension Plan for 2012 and 2011 includes the components shown below:

For the Years Ended December 31,	2012	2011
<i>(in thousands)</i>		
<b>Components of net periodic pension cost:</b>		
Interest cost	\$ 2,577	\$ 2,695
Expected return on assets	(2,627)	(2,783)
Amortization of actuarial loss	196	-
<b>Net periodic pension cost</b>	<b>146</b>	<b>(88)</b>
Amortization of pre-merger regulatory asset	761	761
<b>Total periodic cost</b>	<b>\$ 907</b>	<b>\$ 673</b>
<b>Assumptions:</b>		
Discount rate	4.50%	5.25%
Expected return on plan assets	7.00%	7.00%

#### Other Postretirement Benefits Plan

The following schedule sets forth the status of the FPU Medical plan at December 31 2012 and 2011:

At December 31,	2012	2011
<i>(in thousands)</i>		
<b>Change in benefit obligation:</b>		
Benefit obligation — beginning of year	\$ 4,081	\$ 3,098
Service cost	1	125
Interest cost	79	176
Plan participants contributions	92	88
Curtailment gain	(2,651)	-
Actuarial loss	500	802
Benefits paid	(328)	(208)
Benefit obligation — end of year	1,774	4,081
<b>Change in plan assets:</b>		
Fair value of plan assets — beginning of year	-	-
Employer contributions <sup>(1)</sup>	236	120
Plan participants contributions	92	88
Benefits paid	(328)	(208)
Fair value of plan assets — end of year	-	-
<b>Reconciliation:</b>		
Funded status	(1,774)	(4,081)
<b>Accrued postretirement cost</b>	<b>\$ (1,774)</b>	<b>\$ (4,081)</b>
<b>Assumptions:</b>		
Discount rate	3.75%	4.50%

<sup>(1)</sup> The FPU Medical Plan did not receive a significant subsidy for the post-merger period.

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Net periodic postretirement cost(benefit) for the FPU Medical Plan for 2012 and 2011 includes the following components:

<b>For the Years Ended December 31,</b>	<b>2012</b>	<b>2011</b>
<i>(in thousands)</i>		
<b>Components of net periodic postretirement cost:</b>		
Service cost	\$ 1	\$ 125
Interest cost	79	176
Amortization of actuarial loss	-	55
<b>Net periodic postretirement cost</b>	<b>80</b>	<b>356</b>
Curtailment gain	(892)	-
<b>Total periodic postretirement cost</b>	<b>\$ (812)</b>	<b>\$ 356</b>
<b>Assumptions</b>		
Discount rate	4.50%	5.25%

In addition, FPU recorded an expense of \$8,000 in 2012 and 2011, related to continued amortization of the postretirement benefit regulatory asset for the period prior to the merger with Chesapeake.

Assumptions

The assumptions used for the discount rate to calculate the benefit obligation of all the plans were based on the interest rates of high-quality bonds in 2012, reflecting the expected life of the plans. In determining the average expected return on plan assets for the FPU Pension Plan, various factors, such as historical long-term return experience, investment policy and current and expected allocation, were considered. Since the FPU Pension Plan is frozen with respect to additional years of service and compensation, the rate of assumed compensation rate increases is not applicable.

The health care inflation rate for 2012 used to calculate the benefit obligation is 7.5 percent for the FPU Medical Plan. A one percentage point increase in the health care inflation rate from the assumed rate would increase the accumulated postretirement benefit obligation by approximately \$123,000 as of December 31, 2012, and would increase the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2012 by approximately \$6,000. A one percentage point decrease in the health care inflation rate from the assumed rate would decrease the accumulated postretirement benefit obligation by approximately \$109,000 as of December 31, 2012, and would decrease the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for 2012 by approximately \$5,000.

Estimated Future Benefit Payments

In 2013, we expect to contribute \$842,000 and \$258,000 to the FPU Pension Plan and FPU Medical Plan, respectively. The schedule below shows the estimated future benefit payments for each of our plans previously described:

	<b>FPU Pension Plan<sup>(1)</sup></b>	<b>FPU Medical Plan<sup>(2)</sup></b>
<i>(in thousands)</i>		
2013	\$2,816	\$258
2014	\$2,881	\$241
2015	\$2,930	\$221
2016	\$2,974	\$183
2017	\$3,006	\$147
Years 2018 through 2022	\$16,037	\$441

<sup>(1)</sup> The pension plan is funded; therefore, benefit payments are expected to be paid out of the plan assets.

<sup>(2)</sup> Benefit payments are expected to be paid out of our general funds.

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#### Retirement Savings Plan

Effective January 1, 2012, our employees are eligible to participate in the Chesapeake Utilities Corporation 401(k) Retirement Savings Plan, which is a plan sponsored by Chesapeake. The benefits offered under the Chesapeake 401(k) retirement savings plan effective January 1, 2012 are similar to the benefits previously offered by the FPU retirement savings plan. We offer the Chesapeake 401(k) plan to all eligible employees who have completed three months of service, except for employees represented by a collective bargaining agreement that does not specifically provide for participation in the plan, non-resident aliens with no U.S. source income and individuals classified as consultants, independent contractors or leased employees.

Prior to January 1, 2012, we maintained a separate 401(k) retirement savings plan for our employees. Effective January 1, 2011, we matched 100 percent of eligible non-union participants' pre-tax contributions to the FPU 401(k) plan up to a maximum of six percent of the eligible compensation. Eligible employees who have not opted out of the plan were automatically enrolled at the three-percent deferral rate and the automatic deferral would increase by one percent per year up to a maximum of six percent, unless an employee elected otherwise, with vesting of 100 percent after two years of service. Employees with one year of service were 20 percent vested and became 100 percent vested after two years of service. Participants were eligible for the employer contributions only if they have worked for a minimum number of hours as specified in our plan document during the plan year.

Prior to January 1, 2011, FPU's 401(k) plan provided a matching contribution of 50 percent of an employee's pre-tax contributions, up to six percent of the employee's salary, for a maximum company contribution of up to three percent. For non-union employees the plan provided a company match of 100 percent for the first two percent of an employee's contribution, and a match of 50 percent for the next four percent of an employee's contribution, for a total company match of up to four percent. Employees were automatically enrolled at the three percent contribution, with the option of opting out, and were eligible for the company match after six months of continuous service, with vesting of 100 percent after three years of continuous service.

Our share of contributions to the Chesapeake 401(k) plan totaled \$309,177 and to the FPU 401(k) plan totaled \$349,016 for the years ended December 31, 2012 and 2011, respectively.

Chesapeake offers a non-qualified supplemental employee retirement savings plan to its executives over a specific income threshold. Certain FPU executives participate in the Chesapeake non-qualified supplemental employee retirement savings plan. Participants receive a cash-only matching contribution percentage equivalent to their 401(k) match level. For the years ended December 31, 2012 and 2011 our share of the amounts matched to FPU's participants in this plan totaled \$2,362 and \$583, respectively, and are included in operations expense in the accompanying statements of income.

#### 8. Share-Based Compensation

Chesapeake awards its key employees share-based awards through the Chesapeake Performance Incentive Plan ("Chesapeake PIP"). The Chesapeake Compensation Committee is authorized to grant key employees of the Chesapeake the right to receive awards of shares of Chesapeake common stock, contingent upon the achievement of established performance goals. These awards are subject to certain post-vesting transfer restrictions.

Chesapeake records these share-based awards as compensation costs over the respective service period for which services are received in exchange for an award of equity or equity-based compensation. The compensation cost is based primarily on the fair value of the shares awarded, using the estimated fair value of each share on the date it was granted and the number of shares to be issued at the end of the service period.

Chesapeake currently has multi-year performance plans, which are earned based upon the successful achievement of long-term goals, growth and financial results, which comprised both market-based and performance-based conditions or targets. The fair value of each share of stock tied to a performance-based condition or target is equal to the market price of Chesapeake common stock on the date of the grant. For the market-based conditions, Chesapeake used the Black-Scholes pricing model to estimate the fair value of each share of market-based award granted.

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In July 2012, Chesapeake replaced a FPU officer's multi-year cash-based incentive award with an award of 4,800 shares under the Chesapeake PIP. These shares will vest at the end of the service period ending December 31, 2014 and have terms and market/performance targets similar to other shares granted under the Chesapeake PIP in January 2012. No shares were granted to our key employee(s) by Chesapeake during 2011.

We were allocated \$35,000 in total compensation expense related to a FPU officer that participates in the Chesapeake PIP for the year ended December 31, 2012.

The weighted average grant-date fair value of Chesapeake PIP awards granted during 2012 was \$39.62. As of December 31, 2012, there were 317,785 shares reserved for issuance under the Chesapeake PIP.

#### 9. Rates and Other Regulatory Activities

*"Come-Back" Filing:* On January 30, 2012, the FPSC issued an order, approving, among other things, the inclusion in our rate base of an acquisition adjustment of \$34.2 million and merger-related costs of \$2.2 million incurred by Chesapeake, to be amortized over a 30-year period and a five-year period, respectively, using the straight-line method beginning in November 2009. The acquisition adjustment permits the recovery, through rates, and inclusion in rate base, of the premium (amount in excess of net book value) paid by Chesapeake in the acquisition of FPU. The FPSC also determined that our natural gas operation and Chesapeake's Florida division did not have any excess earnings in 2010 to be refunded to customers. The FPSC issued a consummating order on these matters on January 30, 2012.

The FPSC order allows us to classify the acquisition adjustment and merger-related costs as utility plant and regulatory asset, respectively, and include them in our investment, or rate base, when determining our natural gas rates. In addition, our rate of return calculation will be based upon this higher level of investment, which enables us to earn a return on this investment. Pursuant to this order, we reclassified \$34.2 million of the acquisition adjustment to a utility plant account and also recorded \$19.5 million in the same account to reflect the gross-up of the acquisition adjustment for income tax. We also recorded \$2.2 million of the merger-related costs and \$615,000 of the related gross-up for income tax as a regulatory asset. We reflected the amortization of the acquisition adjustment and the regulatory asset retroactively beginning in November 2009.

In our future rate proceedings, if it is determined that the level of cost savings supporting recovery of the acquisition adjustment no longer exists, the remaining acquisition adjustment may be partially or entirely disallowed by the FPSC. In such event, we would have to expense the corresponding unamortized amount of the disallowed acquisition adjustment.

*Gas Reliability Infrastructure Program ("GRIP"):* On February 3, 2012, CFG and we filed a petition with the FPSC for approval of a GRIP surcharge to customers, which is designed to recover capital and other program-related costs, inclusive of an appropriate return on investment, associated with accelerating the replacement of qualifying distribution mains and services (defined as any material other than coated steel or plastic (Polyethylene)) in CFG's and our systems. CFG and we expect to incur approximately \$75 million over a 10-year period to replace qualifying mains and services. At the August 14, 2012 agenda conference, the FPSC approved a GRIP for us and CFG to provide an annual surcharge mechanism with quarterly reporting requirements, effective January 1, 2013. The first year surcharge will include investments made in the period from August 14, 2012 through December 31, 2013.

*Other Matters:* We also had developments in the following regulatory matters in Florida:

At its April 10, 2012 agenda conference, the FPSC approved a joint territorial agreement between us and Peoples Gas System division of Tampa Electric Company ("Peoples Gas") and other related agreements among us, Peninsula Pipeline and Peoples Gas. These agreements were entered into in January 2012 to enable us to expand natural gas service into Nassau and Okeechobee Counties, Florida using the capacity of the pipeline owned by Peoples Gas and Peninsula Pipeline. The cost of the transportation service paid by us, which is based on the annual charge of \$2.1 million approved by the FPSC, is included in our fuel costs. In April 2012, pending the completion of the new 16-mile pipeline, Peninsula Pipeline commenced its service to us, using compressed natural gas.

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On June 1, 2012, the City of Marianna, Florida, filed a petition with the FPSC for resolution of a territorial dispute for natural gas service in Jackson County as well as the surrounding areas included in our planned expansion. On June 22, 2012, we filed a response to the petition defending our planned expansion. On December 13, 2012, the parties filed a joint notice with the FPSC to withdraw the territorial dispute, and we no longer seek to offer retail natural gas services in the area that was previously in dispute in this proceeding.

On July 12, 2012, we filed a petition with the FPSC for approval of recognition of a regulatory liability for a one-time tax contingency gain related to an income tax liability, which originated prior to FPU's acquisition by Chesapeake from excess tax depreciation on vehicles. We recently determined that this tax liability was no longer needed because the applicable statute of limitation of the IRS and the tax remittance period related to this tax liability have expired. We believed that the treatment most consistent with prior regulatory treatment of one-time gains would be to record the amount as a regulatory liability and amortize that amount over a specified period. We proposed to establish approximately \$1.9 million of regulatory liability (\$1.2 million of the tax contingency gain and \$748,000 as the tax gross-up) for FPU and amortize it over the period from January 2012 to October 2014. Of the \$1.9 million regulatory liability, we were allocated approximately \$1.1 million (\$619,000 of the tax contingency gain and \$389,000 as the tax gross-up). At the October 16, 2012 agenda conference, the FPSC approved the petition. A final order was issued on November 16, 2012 and we began recording the amortization of this regulatory liability, effective January 1, 2012, with the cumulative effect of the amortization recorded at that time.

#### 10. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites.

We have participated in the investigation, assessment or remediation, and have exposures at four former manufactured gas plant ("MGP") sites. Those sites are located in Key West, Pensacola, Sanford and West Palm Beach, Florida. As of December 31, 2012, we had approximately \$10.5 million in environmental liabilities related to all the MGP sites, representing our estimate of the future costs associated with those sites. We have approval to recover up to \$14.0 million of the environmental costs related to all of our MGP sites from insurance and from customers through rates, approximately \$8.7 million of which has been recovered as of December 31, 2012. We also had approximately \$5.7 million in regulatory assets for future recovery of environmental costs from our customers. Environmental liabilities for all of our MGP sites are recorded on an undiscounted basis based on estimates of futures costs provided by independent consultants.

We continue to expect that all costs related to environmental remediation and related activities will be recoverable from customers through rates.

The following discussion provides a brief summary of each MGP site:



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Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

West Palm Beach, Florida

Remedial options are being evaluated to respond to environmental impacts to soil and groundwater at and in the immediate vicinity of a parcel of property we own in West Palm Beach, Florida, where we previously operated a MGP. We are currently implementing a remedial plan approved by the Florida Department of Environmental Protection (“FDEP”) for the east parcel of the West Palm Beach site, which includes installation of monitoring test wells, sparging of air into the groundwater system and extraction of vapors from the subsurface. It is anticipated that similar remedial actions ultimately will be implemented for other portions of the site. Estimated costs of remediation for the West Palm Beach site range from approximately \$4.5 million to \$15.4 million, including costs associated with the relocation of our operations at this site, which is necessary to implement the remedial plan, and any potential costs associated with future redevelopment of the properties. We continue to expect that all costs related to these activities will be recoverable from customers through rates.

Sanford, Florida

We are the current owner of property in Sanford, Florida, which was a former MGP site that was operated by several other entities before we acquired the property. We were never an owner or an operator of the MGP. In January 2007, we and other responsible parties at the Sanford site (collectively with us the “Sanford Group”) signed a Third Participation Agreement, which provides for the funding of the final remedy approved by the EPA for the site. Our share of remediation costs under the Third Participation Agreement is set at five percent of a maximum of \$13.0 million, or \$650,000. As of December 31, 2012, we have paid \$650,000 to the Sanford Group escrow account for its entire share of the funding requirements.

The total cost of the final remedy is now estimated at over \$20.0 million, which includes long-term monitoring and the settlement of claims asserted by two adjacent property owners to resolve damages that the property owners allege they have incurred and will incur as a result of the implementation of the EPA-approved remediation. In settlement of these claims, members of the Sanford Group, which in this instance does not include FPU, have agreed to pay specified sums of money to the parties. We have refused to participate in the funding of the third-party settlement agreements based on its contention that it did not contribute to the release of hazardous substances at the site giving rise to the third-party claims. We have advised the other members of the Sanford Group that we are unwilling at this time to agree to pay any sum in excess of the \$650,000 committed by us in the Third Participation Agreement.

As of December 31, 2012, our remaining remediation expenses, including attorneys’ fees and costs, are estimated to be \$24,000. However, we are unable to determine, to a reasonable degree of certainty, whether the other members of the Sanford Group will accept FPU’s asserted defense to liability for costs exceeding \$13.0 million as provided in the Third Participation Agreement to implement the final remedy for this site or will pursue a claim against FPU for a sum in excess of the \$650,000 that FPU has paid under the Third Participation Agreement. No such claims have been made as of December 31, 2012.

Florida Public Utilities Company			For the Year Ended
Natural Gas Division			December 31, 2012
NOTES TO FINANCIAL STATEMENTS			

Key West, Florida

We formerly owned and operated a MGP in Key West, Florida. Field investigations performed in the 1990s identified limited environmental impacts at the site, which is currently owned by an unrelated third party. In 2010, after 17 years of regulatory inactivity, FDEP observed that some soil and groundwater standards were exceeded and requested implementation of additional soil and groundwater fieldwork. The scope of work is limited to the installation of two additional monitoring wells and periodic monitoring of the new and existing wells. The two new monitoring wells were installed in November 2011, and groundwater monitoring began in December 2011. The first semi-annual report from the monitoring program was issued in May 2012. The data from the June 2012 and September 2012 monitoring events were submitted to the FDEP on October 4, 2012. FDEP responded via e-mail on October 9, 2012, that based on the data, Natural Attenuation Monitoring ("NAM") appears to be an appropriate remedy for the site. The FDEP issued a Remedial Action Plan approval order, dated October 12, 2012, which specified that a limited semi-annual monitoring program is to be conducted. The annual cost to conduct the limited NAM program is not expected to exceed \$8,000. Although the duration that FDEP will require limited NAM cannot be determined with certainty, it is anticipated that total costs to complete the remedial action will not exceed \$50,000.

Pensacola, Florida

We formerly owned and operated a MGP in Pensacola, Florida, which was subsequently owned by Gulf Power. Portions of the site are now owned by the City of Pensacola and the Florida Department of Transportation ("FDOT"). In October 2009, FDEP informed Gulf Power that FDEP would approve a conditional No Further Action determination for the site, which must include a requirement for institutional and engineering controls. On December 13, 2011, Gulf Power, the City of Pensacola, FDOT and we submitted to FDEP a draft covenant for institutional and engineering controls for the site. Upon FDEP's approval and the subsequent recording of the institutional and engineering controls, no further work is expected to be required of the parties. Assuming FDEP approves the draft institutional and engineering controls, it is anticipated that our share of remaining legal and cleanup costs will not exceed \$5,000.

Other

We are currently investigating a potential environmental matter involving a property we recently purchased in Fernandina Beach, Florida. The extent of contamination and our cost to remediate the property, if any, cannot be determined at this time; therefore, we have not recorded an environmental liability for this site.

11. Other Commitments and Contingencies

We have entered into contractual commitments to purchase natural gas from various suppliers. The contracts have various expiration dates. The total purchase obligations for natural gas are \$9,345,225 for 2013, \$13,241,868 for 2014-2015, \$13,264,762 for 2016-2017 and \$30,129,823 thereafter.

We are involved in certain other legal actions and claims arising in the normal course of business. We are also involved in certain legal proceedings and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on our consolidated financial position, results of operations or cash flows.

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service		
3	101 Plant in Service (Classified)	\$ 135,681,721	\$ 135,681,721
4	101.1 Property Under Capital Leases		
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others	\$ 351	\$ 351
9	105 Held for Future Use		
10	114 Acquisition Adjustments	\$ 54,954,566	\$ 54,954,566
11	TOTAL Utility Plant (Total of lines 3 through 10 )	\$ 190,636,637	\$ 190,636,637
12	107 Construction Work in Progress	\$ 2,032,070	\$ 2,032,070
13	Accum. Provision for Depreciation, Amortization, & Depletion	\$ (54,820,013)	\$ (54,820,013)
14	Net Utility Plant (Total of lines 11 plus 12 less line 13)	\$ 137,848,694	\$ 137,848,694
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	\$ 48,589,305	\$ 48,589,305
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights		\$ -
19	111 Amort. of Underground Storage Land and Land Rights		\$ -
20	119 Amortization of Other Utility Plant		\$ -
21	TOTAL in Service (Total of lines 17 through 20)	\$ 48,589,305	\$ 48,589,305
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
26	Held for Future Use		
27	108 Depreciation		
28	111 Amortization		
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)	\$ -	\$ -
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amortization of Plant Acquisition Adjustment	\$ 6,230,708	\$ 6,230,708
32	TOTAL Accum. Provisions (Should agree with line 14 above) (Total of lines 21, 25, 29, 30, and 31)	\$ 54,820,013	\$ 54,820,013

**Annual Status Report  
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas  
For the Year Ended December 31, 2012

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
301	Organization		-	-	-	-	-	-	-
303	Miscellaneous Intangible Plant		214,595	-	-	-	1,631	-	216,225
374	Land - Distribution		101,108	63,500	-	-	-	-	164,608
389	Land - General		4,169,005	3,500	(177,801)	-	-	-	3,994,704
	Land - Other		-	-	-	-	-	-	-
<b>Amortizable General Plant Assets:</b>									
<b>Depreciable Assets:</b> This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
DISTRIBUTION PLANT									
3741	Land Rights	3.30%	12,910	-	-	-	-	-	12,910
375	Structures and Improvements	3.10%	478,088	60,861	-	-	-	-	538,949
3761	Mains - Plastic	2.50%	34,249,910	5,348,810	(2,520)	-	(647,500)	-	38,948,700
3762	Mains - Other	2.80%	30,972,425	405,431	(57,085)	-	-	-	31,320,771
378	Meas. And Reg. Sta. Equipment - General	3.80%	388,478	47,852	-	-	-	(11,533)	424,798
379	meas. And Reg. Sta. Equipment - City Gate	3.80%	3,132,747	137,442	-	-	-	-	3,270,188
3801	Services - Plastic	3.40%	25,833,219	1,869,501	(81,121)	-	-	-	27,621,600
3802	Services - Other	11.10%	1,984,491	-	(47,280)	-	-	-	1,937,211
381	Meters	3.40%	6,641,784	268,374	-	-	-	-	6,910,158
382	Meter Installations	3.00%	3,742,837	344,018	(208)	-	-	-	4,086,647
383	House Regulators	3.40%	2,335,484	99,466	(4,011)	-	-	-	2,430,939
384	House Reg. Installations	3.00%	1,023,680	25,621	(95)	-	-	-	1,049,206
385	Industrial Meas. And Reg. Sta. Equipment	7.80%	55,465	-	-	-	-	-	55,465
386	Other Property on Customers Prem.		-	-	-	-	-	-	-
387	Other Equipment	4.70%	831,280	47,708	-	-	-	-	878,988
	TOTAL DISTRIBUTION PLANT		116,167,506	8,722,084	(370,121)	-	(645,870)	(11,533)	123,862,067
GENERAL PLANT									
390	Structures and Improvements	2.60%	2,816,134	79,294	(1,325,022)	-	(3,138)	-	1,567,269
3910	Office Furniture	4.80%	230,102	80,526	-	-	(12,294)	-	298,334
3912	Office Equipment	7.30%	1,317,697	17,010	-	-	(62,518)	-	1,272,190
3913	EDP Equipment	11.10%	137,726	356,585	(20,638)	-	-	(729)	472,945
3914	Software	11.10%	1,518,684	-	-	-	61,687	-	1,580,371
3921	Transportation - Cars	13.10%	294,146	63,307	(40,371)	(64,236)	(9,000)	14,124	257,970
3922	Transportation - Light Trucks, Vans	8.60%	4,254,772	412,849	(682,410)	64,236	-	(102,679)	3,946,768
3923	Transportation - Heavy Trucks	8.20%	-	-	-	-	-	-	-
3924	Transportation - Trailers	5.20%	74,497	15,599	(757)	-	-	-	89,339
393	Stores Equipment	4.00%	11,424	5,361	-	-	-	-	16,785

**Annual Status Report  
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas  
For the Year Ended December 31, 2012

Page 2 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
394	Tools, Shop, and Garage Equipment	7.20%	405,488	18,621	-	-	-	-	424,110
395	Laboratory Equipment		-	-	-	-	-	-	-
396	Power Operated Equipment	6.80%	486,069	37,890	-	-	(3,950)	-	520,009
397	Communication Equipment	9.20%	377,934	-	-	-	-	-	377,934
398	Miscellaneous Equipment	6.00%	194,427	-	-	-	16,606	-	211,033
	SUBTOTAL		12,119,100	1,087,043	(2,069,197)	-	(12,606)	(89,285)	11,035,055
399	Other Tangible Property	20.00%	18,097	-	-	-	(5,112)	-	12,985
378G			-	617,928	-	-	-	-	617,928
380G			-	153,685	-	-	-	-	153,685
	TOTAL GENERAL PLANT		12,137,197	1,858,657	(2,069,197)	-	(17,718)	(89,285)	11,819,654
	TOTAL DISTRIBUTION PLANT		116,167,506	8,722,084	(370,121)	-	(645,870)	(11,533)	123,862,067
	TOTAL GAS PLANT IN SERVICE		128,304,703	10,580,741	(2,439,318)	-	(663,588)	(100,818)	135,681,721
<b>Capital Recovery Schedules:</b>									
NONE									
<b>Total Account 101*</b>			128,304,703	10,580,741	(2,439,318)	-	(663,588)	(100,818)	135,681,721
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		54,954,566	-	-	-	-	-	54,954,566
104	Leased Plant to Others		3,348	-	-	-	(2,997)	-	351
	Other		-	-	-	-	-	-	-
<b>Total Utility Plant</b>			183,262,617	10,580,741	(2,439,318)	-	(666,585)	(100,818)	190,636,637

**Note:**

- \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.
- \* Account 3761 adjustments are Contribution in Aid of Construction (CIAC) which are a combination of non-refundable and expired contracts that were not due a refund
- \* The grand total balances include Florida Public Utilities Company Allocation of Common Plant (see following pages 16.1 and 16.2 for additional details)
- \* The grand total balances exclude Acct 115 and 107.

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2012

Page 1 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>										
301	Organization	-	-	-	-	-	-	-	-	-
303	Miscellaneous Intangible Plant	(127,642)	-	-	-	-	-	-	-	(127,642)
374	Land - Distribution	-	-	-	-	-	-	-	-	-
389	Land - General	-	-	-	177,801	(177,801)	-	-	-	-
	Land - Other - Common	-	-	-	-	-	-	-	-	-
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
<b>DISTRIBUTION PLANT</b>										
3741	Land Rights	4,344	(432)	-	-	-	-	-	-	3,912
375	Structures and Improvements	(309,809)	(14,820)	-	-	-	-	-	-	(324,629)
3761	Mains - Plastic	(7,166,327)	(872,096)	-	2,520	-	31,670	-	-	(8,004,233)
3762	Mains - Other	(16,844,159)	(875,338)	-	57,085	-	63,004	-	-	(17,599,409)
378	Meas. and Reg. Sta. Equipment - General	(136,825)	(15,668)	-	-	-	-	-	-	(152,493)
379	Meas. and Reg. Sta. Equipment - City Gate	(795,629)	(119,426)	-	-	-	-	-	-	(915,055)
3801	Services - Plastic	(7,932,472)	(901,271)	-	81,121	-	61,267	-	-	(8,691,355)
3802	Services - Other	(2,186,833)	(219,600)	-	47,280	-	87,074	-	-	(2,272,079)
381	Meters	(2,738,250)	(229,419)	-	-	-	-	-	-	(2,967,669)
382	Meter Installations	(1,102,878)	(114,815)	-	208	-	-	-	-	(1,217,485)
383	House Regulators	(1,000,500)	(80,108)	-	4,011	-	-	-	-	(1,076,597)
384	House Reg. Installations	(382,790)	(31,008)	-	95	-	-	-	-	(413,704)
385	Industrial Meas. and Reg. Sta. Equipment	(24,886)	(4,320)	-	-	-	-	-	-	(29,206)
386	Other Property on Customers Prem.	-	-	-	-	-	-	-	-	-
387	Other Equipment	(164,802)	(39,714)	-	-	(4,939)	-	-	-	(209,454)
	<b>TOTAL DISTRIBUTION PLANT</b>	<b>(40,909,458)</b>	<b>(3,518,035)</b>	<b>-</b>	<b>370,121</b>	<b>(182,740)</b>	<b>243,015</b>	<b>-</b>	<b>-</b>	<b>(43,997,097)</b>
<b>GENERAL PLANT</b>										
390	Structures and Improvements	(857,345)	(48,001)	-	1,325,022	(945,415)	2,508	165,367	-	(357,865)
3911	Office Furniture	(116,517)	(20,588)	-	-	-	-	26,108	-	(110,997)
3912	Office Equipment	(432,339)	(184,194)	-	-	-	-	265,561	-	(350,973)
3913	EDP Equipment	(67,740)	(22,586)	-	20,638	-	-	2,257	-	(67,432)
3914	Software	(806,683)	(87,086)	-	-	-	-	(505,806)	-	(1,399,574)
3921	Accum. Dep. - Transportation - Cars	(79,375)	(25,771)	-	40,371	(2,500)	-	11,163	-	(56,112)
3922	Accum. Dep. - Trans. - Light Trucks, vans	(1,908,564)	(295,966)	-	682,410	(102,707)	-	35,228	61,378	(1,528,221)
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	(43,097)	(3,414)	-	757	-	-	-	-	(45,754)
393	Stores Equipment	(9,855)	(619)	-	-	-	-	-	-	(10,474)

**Annual Status Report  
Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division & Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2012

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
394	Tools, Shop, and Garage Equipment	(235,625)	(29,209)	-	-	-	-	-	-	(264,834)
395	Laboratory Equipment	-	-	-	-	-	-	-	-	-
396	Power Operated Equipment	(202,151)	(32,929)	-	-	-	-	-	-	(235,080)
397	Communication Equipment	(132,555)	(37,883)	-	-	-	-	72,833	-	(97,605)
398	Miscellaneous Equipment	(51,990)	(12,624)	-	-	(1,591)	-	(1,482)	-	(67,687)
	SUBTOTAL	(4,943,837)	(800,870)	-	2,069,197	(1,052,213)	2,508	71,230	61,378	(4,592,607)
399	Other Tangible Property	(9,605)	(1,810)	-	-	-	-	(2,475)	-	(13,890)
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
	TOTAL GENERAL PLANT	(4,953,442)	(802,679)	-	2,069,197	(1,052,213)	2,508	68,755	61,378	(4,606,497)
	TOTAL DISTRIBUTION PLANT	(40,909,458)	(3,518,035)	-	370,121	(182,740)	243,015	-	-	(43,997,097)
	TOTAL GAS PLANT IN SERVICE	(45,862,899)	(4,320,714)	-	2,439,318	(1,234,953)	245,522	68,755	61,378	(48,603,594)
<b>Capital Recovery Schedules:</b>										
NONE										
<b>Subtotal</b>		<b>(45,862,899)</b>	<b>(4,320,714)</b>	<b>-</b>	<b>2,439,318</b>	<b>(1,234,953)</b>	<b>245,522</b>	<b>68,755</b>	<b>61,378</b>	<b>(48,603,594)</b>
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
108	RWIP	3,692	-	-	10,597	-	-	-	-	14,290
104	Leased Plant	-	-	-	-	-	-	-	-	-
392	FPU transportation depreciation charges	-	310,183	-	-	-	-	-	(310,183)	-
	Allocation of Common Plant from Florida	-	-	-	-	-	-	-	-	-
Various	Public Utilities consolidated	-	167,195	-	-	-	-	-	(167,195)	-
	<b>Subtotal</b>	<b>3,692</b>	<b>477,378</b>	<b>-</b>	<b>10,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(477,378)</b>	<b>14,290</b>
<b>Grand Total</b>		<b>(45,859,207)</b>	<b>(3,843,336)</b>	<b>-</b>	<b>2,449,915</b>	<b>(1,234,953)</b>	<b>245,522</b>	<b>68,755</b>	<b>(416,000)</b>	<b>(48,589,306)</b>

**Note:**

- \* The grand total of beginning and ending balances must agree to Line 17, Page 12.
- \* The grand total balances include Florida Public Utilities Company Allocation of Common Plant (see following pages 16.1 and 16.2 for additional details)
- \* The grand total balances exclude Acct 115 and 107.

**Annual Status Report  
Analysis of Plant in Service Accounts**

Common Plants Allocated to Florida Public Utilities Natural Gas  
For the Year Ended December 31, 2012

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>									
301	Organization		-						-
303	Miscellaneous Intangible Plant		953				1,631		2,584
374	Land - Distribution		-						-
389	Land - General		177,801		(177,801)				(0)
	Land - Other								
<b>Depreciable Assets:</b> This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
DISTRIBUTION PLANT									
3741	Land Rights	3.30%							-
375	Structures and Improvements	3.10%							-
3761	Mains - Plastic	2.50%							-
3762	Mains - Other	2.80%							-
378	Meas. And Reg. Sta. Equipment - General	3.80%							-
379	meas. And Reg. Sta. Equipment - City Gate	3.80%							-
3801	Services - Plastic	3.40%							-
3802	Services - Other	11.10%							-
381	Meters	3.40%							-
382	Meter Installations	3.00%							-
383	House Regulators	3.40%							-
384	House Reg. Installations	3.00%							-
385	Industrial Meas. And Reg. Sta. Equipment	7.80%							-
386	Other Property on Customers Prem.								-
387	Other Equipment	4.70%							-
	TOTAL DISTRIBUTION PLANT		178,754	-	(177,801)	-	1,631	-	2,584
GENERAL PLANT									
390	Structures and Improvements	2.60%	1,328,160	62,780	(1,325,022)		(3,138)		62,780
3910	Office Furniture	4.80%	87,768	59,265			(12,294)		134,739
3912	Office Equipment	7.30%	659,961	17,010			(62,518)		614,454
3913	EDP Equipment	11.10%	21,367	356,585	(20,638)			(729)	356,586
3914	Software	11.10%	953,127				61,687		1,014,814
3921	Transportation - Cars	13.10%	109,670		(24,867)			14,124	98,927
3922	Transportation - Light Trucks, Vans	8.60%	47,375		(15,652)				31,723
3923	Transportation - Heavy Trucks	8.20%	-						-
3924	Transportation - Trailers	5.20%	-						-
393	Stores Equipment	4.00%	-						-



**Annual Status Report  
Analysis of Plant in Service Accounts**

Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2012

Page 2 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
(Continued)									
394	Tools, Shop, and Garage Equipment	7.20%	-						-
395	Laboratory Equipment		-						-
396	Power Operated Equipment	6.80%	-						-
397	Communication Equipment	9.20%	93,612						93,612
398	Miscellaneous Equipment	6.00%	(0)				16,606		16,605
	SUBTOTAL		3,301,039	495,640	(1,386,178)	-	344	13,394	2,424,239
399	Other Tangible Property	20.00%	18,097				(5,112)		12,985
378G									-
380G									-
	TOTAL GENERAL PLANT		3,319,136	495,640	(1,386,178)	-	(4,768)	13,394	2,437,224
	TOTAL DISTRIBUTION PLANT		178,754	-	(177,801)	-	1,631	-	2,584
	TOTAL GAS PLANT IN SERVICE		3,497,890	495,640	(1,563,980)	-	(3,138)	13,394	2,439,807
<b>Capital Recovery Schedules:</b>									
NONE									
<b>Total Account 101*</b>			3,497,890	495,640	(1,563,980)	-	(3,138)	13,394	2,439,807
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		3,877,668						3,877,668
104	Leased Plant to Others								-
	Other								
<b>Total Utility Plant</b>			7,375,558	495,640	(1,563,980)	-	(3,138)	13,394	6,317,475

Note: \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.  
\* The grand total balances on pages 13.1-16.1 are Florida Public Utilities Company Allocation of Common Plant only

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Common Plants Allocated to Florida Public Utilities Natural Gas

For the Year Ended December 31, 2012

Page 1 of 2

Accl. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>										
301	Organization									
303	Miscellaneous Intangible Plant									-
374	Land - Distribution									-
389	Land - General				177,801	(177,801)				-
	Land - Other - Common									-
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
DISTRIBUTION PLANT										
3741	Land Rights									-
375	Structures and Improvements									-
3761	Mains - Plastic									-
3762	Mains - Other									-
378	Meas. and Reg. Sta. Equipment - General									-
379	Meas. and Reg. Sta. Equipment - City Gate									-
3801	Services - Plastic									-
3802	Services - Other									-
381	Meters									-
382	Meter Installations									-
383	House Regulators									-
384	House Reg. Installations									-
385	Industrial Meas. and Reg. Sta. Equipment									-
386	Other Property on Customers Prem.									-
387	Other Equipment									-
	<b>TOTAL DISTRIBUTION PLANT</b>	-	-	-	177,801	(177,801)	-	-	-	-
GENERAL PLANT										
390	Structures and Improvements	(523,896.00)	(9,253)		1,325,022	(940,476)	2,508	144,643		(1,453.12)
3910	Office Furniture	(64,611.00)	(9,793)		-			26,108		(48,295.64)
3912	Office Equipment	(376,141.00)	(77,790)		-			265,561		(188,369.98)
3913	EDP Equipment	(18,472.00)	(16,994)		20,638			2,257		(12,571.22)
3914	Software	(484,707.00)	(24,302)		-			(505,806)		(1,014,814.22)
3921	Accum. Dep. - Transportation - Cars	(33,908.00)	(13,753)		24,867			11,163		(11,630.80)
3922	Accum. Dep. - Trans. - Light Trucks, vans	(55,877.00)	(1,215)		15,652			35,228		(6,211.66)
3923	Accum. Dep. - Trans. - Heavy Trucks									-
3924	Accum. Dep. - Transportation - Trailers									-
393	Stores Equipment									-

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Common Plants Allocated to Florida Public Utilities Natural Gas  
 For the Year Ended December 31, 2012

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
394	Tools, Shop, and Garage Equipment	-								-
395	Laboratory Equipment	-								-
396	Power Operated Equipment	-								-
397	Communication Equipment	(29,909.00)	(11,694)					72,833		31,230.00
398	Miscellaneous Equipment	-	(592)					(4,801)		(5,393.23)
	<b>SUBTOTAL</b>	<b>(1,587,521.00)</b>	<b>(165,385)</b>	<b>-</b>	<b>1,386,178</b>	<b>(940,476)</b>	<b>2,508</b>	<b>47,187</b>	<b>-</b>	<b>(1,257,509.87)</b>
399	Other Tangible Property	(9,605.00)	(1,810)					(2,475)		(13,889.80)
										-
										-
	<b>TOTAL GENERAL PLANT</b>	<b>(1,597,126.00)</b>	<b>(167,195)</b>	<b>-</b>	<b>1,386,178</b>	<b>(940,476)</b>	<b>2,508</b>	<b>44,712</b>	<b>-</b>	<b>(1,271,399.67)</b>
	<b>TOTAL DISTRIBUTION PLANT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,801</b>	<b>(177,801)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL GAS PLANT IN SERVICE</b>	<b>(1,597,126.00)</b>	<b>(167,195)</b>	<b>-</b>	<b>1,563,980</b>	<b>(1,118,278)</b>	<b>2,508</b>	<b>44,712</b>	<b>-</b>	<b>(1,271,399.67)</b>
<b>Capital Recovery Schedules:</b>										
NONE										
	<b>Subtotal</b>	<b>(1,597,126.00)</b>	<b>(167,195)</b>	<b>-</b>	<b>1,563,980</b>	<b>(1,118,278)</b>	<b>2,508</b>	<b>44,712</b>	<b>-</b>	<b>(1,271,399.67)</b>
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
1089	RWIP									-
1040	Leased Plant									-
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>	<b>(1,597,126.00)</b>	<b>(167,195.00)</b>	<b>-</b>	<b>1,563,979.71</b>	<b>(1,118,277.68)</b>	<b>2,507.60</b>	<b>44,711.70</b>	<b>-</b>	<b>(1,271,399.67)</b>

Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 12.  
 \* The grand total balances on pages 13.1-16.1 are Florida Public Utilities Company Allocation of Common Plant only

**Annual Status Report  
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division

For the Year Ended December 31, 2012

Page 1 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>									
301	Organization		-	-	-	-	-	-	-
303	Miscellaneous Intangible Plant		213,641	-	-	-	-	-	213,641
374	Land - Distribution		101,108	63,500	-	-	-	-	164,608
389	Land - General		3,991,204	3,500	-	-	-	-	3,994,704
	Land - Other								
<b>Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.</b>									
<b>DISTRIBUTION PLANT</b>									
3741	Land Rights	3.30%	12,910	-	-	-	-	-	12,910
375	Structures and Improvements	3.10%	478,088	60,861	-	-	-	-	538,949
3761	Mains - Plastic	2.50%	34,249,910	5,348,810	(2,520)	-	(647,500)	-	38,948,700
3762	Mains - Other	2.80%	30,972,425	405,431	(57,085)	-	-	-	31,320,771
378	Meas. And Reg. Sta. Equipment - General	3.80%	388,478	47,852	-	-	-	(11,533)	424,798
379	meas. And Reg. Sta. Equipment - City Gate	3.80%	3,132,747	137,442	-	-	-	-	3,270,188
3801	Services - Plastic	3.40%	25,833,219	1,869,501	(81,121)	-	-	-	27,621,600
3802	Services - Other	11.10%	1,984,491	-	(47,280)	-	-	-	1,937,211
381	Meters	3.40%	6,641,784	268,374	-	-	-	-	6,910,158
382	Meter Installations	3.00%	3,742,837	344,018	(208)	-	-	-	4,086,647
383	House Regulators	3.40%	2,335,484	99,466	(4,011)	-	-	-	2,430,939
384	House Reg. Installations	3.00%	1,023,680	25,621	(95)	-	-	-	1,049,206
385	Industrial Meas. And Reg. Sta. Equipment	7.80%	55,465	-	-	-	-	-	55,465
386	Other Property on Customers Prem.		-	-	-	-	-	-	-
387	Other Equipment	4.70%	831,280	47,708	-	-	-	-	878,988
	<b>TOTAL DISTRIBUTION PLANT</b>		<b>115,988,752</b>	<b>8,722,084</b>	<b>(192,319)</b>	<b>-</b>	<b>(647,500)</b>	<b>(11,533)</b>	<b>123,859,484</b>
<b>GENERAL PLANT</b>									
390	Structures and Improvements	2.60%	1,487,975	16,515	-	-	-	-	1,504,489
3910	Office Furniture	4.80%	142,334	21,261	-	-	-	-	163,595
3912	Office Equipment	7.30%	657,736	-	-	-	-	-	657,736
3913	EDP Equipment	11.10%	116,359	-	-	-	-	-	116,359
3914	Software	11.10%	565,557	-	-	-	-	-	565,557
3921	Transportation - Cars	13.10%	184,476	63,307	(15,504)	(64,236)	(9,000)	-	159,043
3922	Transportation - Light Trucks, Vans	8.60%	4,207,397	412,849	(666,758)	64,236	-	(102,679)	3,915,045
3923	Transportation - Heavy Trucks	8.20%	-	-	-	-	-	-	-
3924	Transportation - Trailers	5.20%	74,497	15,599	(757)	-	-	-	89,339
393	Stores Equipment	4.00%	11,424	5,361	-	-	-	-	16,785

**Annual Status Report  
Analysis of Plant in Service Accounts**

Florida Public Utilities Company - Natural Gas Division  
For the Year Ended December 31, 2012

Page 2 of 2

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass	Adjustments	Transfers	Ending Balance*
(Continued)									
394	Tools, Shop, and Garage Equipment	7.20%	405,488	18,621	-	-	-	-	424,110
395	Laboratory Equipment		-	-	-	-	-	-	-
396	Power Operated Equipment	6.80%	486,069	37,890	-	-	(3,950)	-	520,009
397	Communication Equipment	9.20%	284,322	-	-	-	-	-	284,322
398	Miscellaneous Equipment	6.00%	194,427	-	-	-	-	-	194,427
	SUBTOTAL		8,818,061	591,403	(683,018)	-	(12,950)	(102,679)	8,610,816
399	Other Tangible Property	20.00%	-	-	-	-	-	-	-
378G			-	617,928	-	-	-	-	617,928
380G			-	153,685	-	-	-	-	153,685
	TOTAL GENERAL PLANT		8,818,061	1,363,017	(683,018)	-	(12,950)	(102,679)	9,382,430
	TOTAL DISTRIBUTION PLANT		115,988,752	8,722,084	(192,319)	-	(647,500)	(11,533)	123,859,484
	TOTAL GAS PLANT IN SERVICE		124,806,813	10,085,101	(875,338)	-	(660,450)	(114,212)	133,241,914
<b>Capital Recovery Schedules:</b>									
NONE									
<b>Total Account 101*</b>			124,806,813	10,085,101	(875,338)	-	(660,450)	(114,212)	133,241,914
<b>Amortizable Assets:</b>									
114	Acquisition Adjustment		51,076,898						51,076,898
104	Leased Plant to Others		3,348				(2,997)		351
	Other								
<b>Total Utility Plant</b>			175,887,058	10,085,101	(875,338)	-	(663,447)	(114,212)	184,319,162

Note: \* The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.

\* The grand total balances on pages 13.2-16.2 are Florida Public Utilities Company Natural Gas Division only

**Annual Status Report**  
**Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division  
 For the Year Ended December 31, 2012

Page 1 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
<b>Amortizable General Plant Assets:</b>										
301	Organization									
303	Miscellaneous Intangible Plant	(127,642)	-	-	-	-	-	-	-	(127,642)
374	Land - Distribution	-	-	-	-	-	-	-	-	-
389	Land - General	-	-	-	-	-	-	-	-	-
	Land - Other - Common	-	-	-	-	-	-	-	-	-
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
<b>DISTRIBUTION PLANT</b>										
3741	Land Rights	4,344	(432)	-	-	-	-	-	-	3,912
375	Structures and Improvements	(309,809)	(14,820)	-	-	-	-	-	-	(324,629)
3761	Mains - Plastic	(7,166,327)	(872,096)	-	2,520	-	31,670	-	-	(8,004,233)
3762	Mains - Other	(16,844,159)	(875,338)	-	57,085	-	63,004	-	-	(17,599,409)
378	Meas. and Reg. Sta. Equipment - General	(136,825)	(15,668)	-	-	-	-	-	-	(152,493)
379	Meas. and Reg. Sta. Equipment - City Gate	(795,629)	(119,426)	-	-	-	-	-	-	(915,055)
3801	Services - Plastic	(7,932,472)	(901,271)	-	81,121	-	61,267	-	-	(8,691,355)
3802	Services - Other	(2,186,833)	(219,600)	-	47,280	-	87,074	-	-	(2,272,079)
381	Meters	(2,738,250)	(229,419)	-	-	-	-	-	-	(2,967,669)
382	Meter Installations	(1,102,878)	(114,815)	-	208	-	-	-	-	(1,217,485)
383	House Regulators	(1,000,500)	(80,108)	-	4,011	-	-	-	-	(1,076,597)
384	House Reg. Installations	(382,790)	(31,008)	-	95	-	-	-	-	(413,704)
385	Industrial Meas. and Reg. Sta. Equipment	(24,886)	(4,320)	-	-	-	-	-	-	(29,206)
386	Other Property on Customers Prem.	-	-	-	-	-	-	-	-	-
387	Other Equipment	(164,802)	(39,714)	-	-	(4,939)	-	-	-	(209,454)
	<b>TOTAL DISTRIBUTION PLANT</b>	<b>(40,909,458)</b>	<b>(3,518,035)</b>	<b>-</b>	<b>192,319</b>	<b>(4,939)</b>	<b>243,015</b>	<b>-</b>	<b>-</b>	<b>(43,997,097)</b>
<b>GENERAL PLANT</b>										
390	Structures and Improvements	(333,449)	(38,748)	-	-	(4,939)	-	20,725	-	(356,411)
3911	Office Furniture	(51,906)	(10,795)	-	-	-	-	-	-	(62,701)
3912	Office Equipment	(56,198)	(106,405)	-	-	-	-	-	-	(162,603)
3913	EDP Equipment	(49,268)	(5,592)	-	-	-	-	-	-	(54,860)
3914	Software	(321,976)	(62,784)	-	-	-	-	-	-	(384,760)
3921	Accum. Dep. - Transportation - Cars	(45,467)	(12,018)	-	15,504	(2,500)	-	-	-	(44,482)
3922	Accum. Dep. - Trans. - Light Trucks, vans	(1,852,687)	(294,751)	-	666,758	(102,707)	-	-	61,378	(1,522,010)
3923	Accum. Dep. - Trans. - Heavy Trucks	-	-	-	-	-	-	-	-	-
3924	Accum. Dep. - Transportation - Trailers	(43,097)	(3,414)	-	757	-	-	-	-	(45,754)
393	Stores Equipment	(9,855)	(619)	-	-	-	-	-	-	(10,474)

**Annual Status Report  
Analysis of Entries in Accumulated Depreciation & Amortization**

Florida Public Utilities Company - Natural Gas Division  
For the Year Ended December 31, 2012

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
394	Tools, Shop, and Garage Equipment	(235,625)	(29,209)	-	-	-	-	-	-	(264,834)
395	Laboratory Equipment	-	-	-	-	-	-	-	-	-
396	Power Operated Equipment	(202,151)	(32,929)	-	-	-	-	-	-	(235,080)
397	Communication Equipment	(102,646)	(26,189)	-	-	-	-	-	-	(128,835)
398	Miscellaneous Equipment	(51,990)	(12,032)	-	-	(1,591)	-	3,319	-	(62,294)
	<b>SUBTOTAL</b>	<b>(3,356,316)</b>	<b>(635,484)</b>	<b>-</b>	<b>683,018</b>	<b>(111,737)</b>	<b>-</b>	<b>24,043</b>	<b>61,378</b>	<b>(3,335,097)</b>
399	Other Tangible Property	-	-	-	-	-	-	-	-	-
378G		-	-	-	-	-	-	-	-	-
380G		-	-	-	-	-	-	-	-	-
	<b>TOTAL GENERAL PLANT</b>	<b>(3,356,316)</b>	<b>(635,484)</b>	<b>-</b>	<b>683,018</b>	<b>(111,737)</b>	<b>-</b>	<b>24,043</b>	<b>61,378</b>	<b>(3,335,097)</b>
	<b>TOTAL DISTRIBUTION PLANT</b>	<b>(40,909,458)</b>	<b>(3,518,035)</b>	<b>-</b>	<b>192,319</b>	<b>(4,939)</b>	<b>243,015</b>	<b>-</b>	<b>-</b>	<b>(43,997,097)</b>
	<b>TOTAL GAS PLANT IN SERVICE</b>	<b>(44,265,773)</b>	<b>(4,153,519)</b>	<b>-</b>	<b>875,338</b>	<b>(116,675)</b>	<b>243,015</b>	<b>24,043</b>	<b>61,378</b>	<b>(47,332,195)</b>
<b>Capital Recovery Schedules:</b>										
NONE										
	<b>Subtotal</b>	<b>(44,265,773)</b>	<b>(4,153,519)</b>	<b>-</b>	<b>875,338</b>	<b>(116,675)</b>	<b>243,015</b>	<b>24,043</b>	<b>61,378</b>	<b>(47,332,195)</b>
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
1089	RWIP	3,692	-	-	10,597	-	-	-	-	14,290
1040	Leased Plant	-	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>3,692</b>	<b>-</b>	<b>-</b>	<b>10,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,290</b>
	<b>Grand Total</b>	<b>(44,262,081)</b>	<b>(4,153,519)</b>	<b>-</b>	<b>885,935</b>	<b>(116,675)</b>	<b>243,015</b>	<b>24,043</b>	<b>61,378</b>	<b>(47,317,905)</b>

Note: \* The grand total of beginning and ending balances must agree to Line 17, Page 12.  
\* The grand total balances on pages 13.2-16.2 are Florida Public Utilities Company Natural Gas Division only

**CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)**

1. Report below descriptions and balances at end of year of projects in process of construction (107).  
 2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).  
 3. Minor projects (less than \$500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	GRIP- 4in Anchorage Dr NPB	\$ 394,479	Unknown
2	AM/FM Software	\$ 350,008	
3	Okeechobbe Project	\$ 208,005	
4	Gas heat pump	\$ 167,158	
5	Congress Ave	\$ 161,296	
6	Accrued Payroll	\$ 153,988	
7	Bridges 2 Phase 1A	\$ 104,255	
8	GASTAR software purchase	\$ 284,211	
9	New Op Center design development contract	\$ 114,241	
10	Construction of new Op center	\$ 47,632	
11	Various	\$ 46,796	
12			
13			
14			
15	<b>TOTAL</b>	\$ 2,032,070	

**CONSTRUCTION OVERHEADS-GAS**

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.  
 2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed  
 and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.  
 3. Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Administrative & General Salaries Capitalized	\$ 713,260	\$ -
2	Administrative & General Expenses Capitalized	\$ 181,571	\$ -
3	Benefits Capitalized	\$ 127,367	\$ -
4	Payroll Taxes Capitalized	\$ 52,732	\$ -
5	Total Cost of Construction - Overhead Charged	\$ -	\$ 8,947,627
6			
7			
8			
9			
10			
11			
12	<b>TOTAL</b>	\$ 1,074,931	\$ 8,947,627



**PREPAYMENTS (Account 165)**

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Insurance	\$ 239,772
2	Prepaid Rents	\$ 34,439
3	Prepaid Taxes	\$ -
4	Prepaid Interest	\$ -
5	Gas Prepayments	\$ -
6	Miscellaneous Prepayments: Membership dues, software maintenance, office security deposit, odorant	\$ 271,506
7		
8	<b>TOTAL</b>	<b>\$ 545,716</b>

**EXTRAORDINARY PROPERTY LOSSES (Account 182.1)**

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						

**UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)**

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	None					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

Dec. 31, 2012

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).

2. For regulatory assets being amortized, show period of amortization in column (a).  
3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1	Environmental	\$ 5,711,062	\$ -	253	\$ (456,348)	\$ 5,254,714
2	Merger Costs	\$ 1,600,193	\$ -	407.3	\$ (564,768)	\$ 1,035,425
3	Pension	\$ 10,172,428	\$ 2,836,227	926/228	\$ (1,406,660)	\$ 11,601,995
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	<b>TOTAL</b>	<b>\$ 17,483,683</b>	<b>\$ 2,836,227</b>		<b>\$ (2,427,776)</b>	<b>\$ 17,892,134</b>

**MISCELLANEOUS DEFERRED DEBITS (Account 186)**

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.  
2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (amounts less than \$25,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Under-Recovery Conservation	\$ 557,459	\$ 666,723	906	\$ (1,224,182)	\$ -
2	Unamortized Piping & Conversion Costs	\$ 788,504	\$ 259,325	405	\$ (360,978)	\$ 686,852
3	Unamortized Bridge Crossing Costs	\$ 36,948	\$ -	887	\$ (26,250)	\$ 10,698
4	Goodwill	\$ 224	\$ -		\$ -	\$ 224
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress					
18	Deferred Regulatory Comm. Expenses	\$ 213,787	\$ -	928	\$ (150,912)	\$ 62,875
19	<b>TOTAL</b>	<b>\$ 1,596,923</b>				<b>\$ 760,649</b>

**SECURITIES ISSUED AND  
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

- |  |  |
|--|--|
| <p>1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.</p> <p>2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.</p> | <p>and gains or losses relating to securities retired or refunded.</p> <p>3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.</p> <p>4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.</p> |
|--|--|

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**UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)**

- |  |  |
|--|--|
| <p>1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with</p> | <p>General Instruction 17 of the Uniform Systems of Accounts</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.</p> |
|--|--|

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

**LONG-TERM DEBT (Accounts 221, 222, 223, and 224)**

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year		Total Amount Outstanding (g)
					Rate (in %) (e)	Amount (f)	
1	Convertible Debentures - 8.25%	2/15/1989	3/1/2014	\$ 5,000,000	8.25%	\$ 83,455	\$ 942,000
2	Senior Note 4 - 7.83%	2/29/2000	1/1/2015	\$ 20,000,000	7.83%	\$ 469,800	\$ 2,000,000
3	Senior Note 5 - 6.64%	10/31/2002	10/31/2017	\$ 30,000,000	6.64%	\$ 1,056,364	\$ 10,909,091
4	Senior Note 6 - 5.5%	12/12/2006	10/12/2020	\$ 20,000,000	5.50%	\$ 962,500	\$ 14,000,000
5	Senior Note 7 - 5.93%	10/31/2008	10/31/2023	\$ 30,000,000	5.93%	\$ 1,779,000	\$ 30,000,000
6	Senior Note 8 - 5.68%	6/24/2011	6/30/2026	\$ 29,000,000	5.68%	\$ 1,647,200	\$ 29,000,000
7	Promissory Note	2/1/2010	3/1/2015	\$ 310,000	5.15%	\$ -	\$ 65,000
8	FPU Note 1	5/1/1988	5/1/2018	\$ 10,000,000	9.57%	\$ 551,041	\$ 4,546,000
9	FPU Note 2	5/1/1988	5/1/2018	\$ 5,500,000	10.03%	\$ 317,617	\$ 2,500,000
10	FPU Note 3	6/1/1992	6/1/2022	\$ 8,000,000	9.08%	\$ 726,400	\$ 8,000,000
11	Subtotal			\$ 157,810,000		\$ 7,593,377	\$ 101,962,091
12	Less Maturities						\$ (8,196,273)
13							
14							
15							
16	Allocation to Florida Division					\$ 1,324,326	
17	Allocation to Other Jurisdictions					\$ 6,269,051	
18	Total Chesapeake Utilities Corp.					\$ 7,593,377	
19							
20	TOTAL			\$ 157,810,000		\$ 7,593,377	\$ 93,765,818

Note: Schedule lists total long term debt for Chesapeake Utilities Corporation. Line number 16 indicates the amount that is allocated to the Florida Division.

**UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)**

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.

2. Show premium amounts by enclosing the figures in parentheses.

3. In column (b) show the principal amount of bonds or other long-term debt originally issued.

4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.

6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1	Convertible Debentures - 8.25%	\$5,000,000	\$106,808	2/15/1989	3/1/2014	\$7,645	(\$4,272)	\$3,373
2	Senior Note 4 - 7.83%	\$20,000,000	\$114,957	2/29/2000	1/1/2015	\$7,456	(\$3,728)	\$ 3,728
3	Senior Note 5 - 6.64%	\$30,000,000	\$141,831	10/31/2002	10/31/2017	\$25,788	(\$7,521)	\$ 18,267
4	Senior Note 6 - 5.5%	\$20,000,000	\$79,566	12/12/2006	10/12/2020	\$35,805	(\$7,328)	\$ 28,477
5	Senior Note 7 - 5.93%	\$30,000,000	\$39,518	10/31/2008	10/31/2023	\$27,505	(\$3,794)	\$ 23,711
6	Senior Note 8 - 5.68%	\$29,000,000	\$34,794			\$32,946	(\$3,695)	\$ 29,251
7	FPU Bond - 9.57%	\$10,000,000	\$180,273	6/24/2011	6/30/2026	\$15,299	(\$4,152)	\$ 11,147
8	FPU Bond - 10.03%	\$5,500,000	\$97,070			\$8,236	(\$2,236)	\$ 6,000
9	FPU Bond - 9.08%	\$8,000,000	\$122,010			\$42,364	(\$4,067)	\$ 38,297
10								
11								
12	Allocation to Florida Public Utilities - Natural Gas						\$7,303	
13	Allocation to Other Jurisdictions						\$33,490	
14							\$40,793	
15								
16								
17								
18								

Note: Schedule lists total long-term debt for Chesapeake Utilities Corporation. Line number 12 indicates the amount that is allocated to the Florida Public Utilities - Natural Gas.

**MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)**

1. Describe and report the amount of other current and accrued liabilities at the end of year.      2. Minor items (less than \$50,000) may be grouped under appropriate title.

Line No.	Item	Balance at End of Year
1	Accrued Payroll	\$ 233,898
2	Accrued PTO	\$ 973,649
3	Accrued Bonus	\$ 264,547
4		
5		
6		
7		
8		
9		
10		
11		
12		
13	<b>TOTAL</b>	<b>\$ 1,472,093</b>

**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits.  
2. For any deferred credit being amortized, show the period of amortization.  
3. Minor Items (less than \$25,000) may be grouped by classes.

Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Conservation Recovery	\$ -	495/186	\$ 107,644	\$ 418,507	\$ 310,864
2	Environmental	\$ 11,040,868	232/182.3	\$ 978,836	\$ 456,348	\$ 10,518,380
3	Over Recovery - Fuel	\$ 734,160	495	\$ 5,879,188	\$ 5,363,280	\$ 218,252
4	Gas Reliability Infrastructure Program (GRIP)	\$ -	495/421	\$ -	\$ 243,740	\$ 243,740
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>	<b>\$ 11,775,028</b>		<b>\$ 6,965,668</b>	<b>\$ 6,481,876</b>	<b>\$ 11,291,236</b>

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).  
2. For regulatory liabilities being amortized, show period of amortization in column (a).  
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	FPU OPRB Curtail Gain true up	\$ -		\$ -	\$ 1,082,923	\$ 1,082,923
2	Regulatory Liability - Docket# 120189-PU	\$ -	407.4	\$ 355,740	\$ 388,808	\$ 33,068
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	<b>TOTAL</b>	<b>\$ -</b>		<b>\$ 355,740</b>	<b>\$ 1,471,731</b>	<b>\$ 1,115,991</b>

**TAXES OTHER THAN INCOME TAXES (Account 408.1)**

	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other*	Total
1	Various Florida Counties	\$ 1,640,343							\$ 839,456		\$ 2,479,799
2	State of Florida					\$1,621,497				\$ -	\$ 1,621,497
3	Payroll Taxes				\$ 708,856						\$ 708,856
4	Florida Public Service Commission						\$ 298,966				\$ 298,966
5	Business License / Excise							\$ 314		\$ 2,998	\$ 3,312
6											
7											
8											
9											
10											
11											
12											
13											
14											
15	Less: Charged to Construction				\$ (163,908)						\$ (163,908)
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	\$ 1,640,343	\$ -	\$ -	\$ 544,948	\$1,621,497	\$ 298,966	\$ 314	\$ 839,456	\$ 2,998	\$ 4,948,522

Note: \*List separately each item in excess of \$500.

**ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)**

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
				Acct. No. (d)	Amount (e)			
1	Gas Utility							
2	3%							35 Years
3	4%							35 Years
4	7%	\$ 9,574		411.4	\$ 3,199		\$ 6,375	35 Years
5	10%	\$ 32,701		411.4	\$ 15,959		\$ 16,743	35 Years
6								
7								
8								
9								
10	TOTAL	\$ 42,275			\$ 19,158		\$ 23,117	

**Notes**

**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. At Other (Specify), include deferrals relating to other income and deductions.

2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.		Balance at Beginning of Year	Changes During Year				Adjustments				Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		
							Account No.	Amount	Account No.	Amount	
1	GAS										
2	Fed NOL	\$ 1,159,064	\$ 1,159,064								\$ 43,545
3	Bad Debts	\$ 54,214	\$ 10,669								\$ 119,916
4	Conservation	\$ -	\$ -	\$ 119,916							\$ 2,030,459
5	Environmental	\$ 2,055,302	\$ 24,843								\$ -
6	Misc Reserve	\$ -	\$ -								\$ 582,918
7	State Decoupling	\$ 512,415	\$ -	\$ 70,503							\$ 313,207
8	Storm Reserve	\$ 310,893	\$ -	\$ 2,314							\$ 38,021
9	Amortization	\$ 4,889	\$ 130,987	\$ 164,119							\$ 152,690
10	Reg Assets/Liability	\$ -	\$ -	\$ (236,118)				254	\$ 388,808		\$ 68,164
11	Pipe/Conv Propt LT	\$ -	\$ -	\$ 68,164							\$ 86,387
12	Long-term Bonus	\$ -	\$ -	\$ 86,387							\$ -
13	Self Insurance	\$ 45,939	\$ -	\$ -		282	45,939				\$ 3,435,308
14	TOTAL Gas (Lines 2 - 10)	\$ 4,142,716	\$ 1,325,563	\$ 275,285	\$ -	\$ -		\$ 388,808			\$ -
15	Other (Specify)	\$ -	\$ -	\$ -							\$ -
16	TOTAL (Account 190) (Total of lines 11 and 12)	\$ 4,142,716	\$ 1,325,563	\$ 275,285	\$ -	\$ -		45,939	\$ 388,808		\$ 3,435,308

**Notes**

**Account 282**

As we integrated accounting systems we further refined which GL accounts and divisions have DIT balances. This resulted in top-level balance sheet reclasses in 2010, 2011, and 2012.

**Account 254**

Tax gross-up of a regulatory liability for a one-time tax contingency gain related to FPU's income tax liability, which originated prior to the acquisition by Chesapeake from excess tax depreciation on vehicles. Docket # 120189-PU

**ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)**

Line No.		Balance at Beginning of Year	Changes During Year				Adjustments				Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		
							Account No.	Amount	Account No.	Amount	
1	Account 281 - Accelerated Amortization Property										
2	Electric										
3	Gas										
4	Other										
5	TOTAL Account 281 (Lines 2 thru 4)										
6	Account 282 - Other Property										
7	Electric										
8	Gas	\$ 18,374,440	\$ 1,564,689	\$ 249,773	\$ 104,514	\$ 17,938		Various	1,241,552		\$ 18,534,380
9	Other										
10	TOTAL Account 282 (Lines 7 thru 9)	\$ 18,374,440	\$ 1,564,689	\$ 249,773	\$ 104,514	\$ 17,938			1,241,552		\$ 18,534,380
11	Account 283 - Other										
12	Electric										
13	Gas	\$ 18,846,577	\$ 34,344	\$ 1,145,097			282	45,940			\$ 17,781,764
14	Other										
15	TOTAL Account 283 - Other (Lines 12 thru 14)	\$ 18,846,577	\$ 34,344	\$ 1,145,097	\$ -	\$ -		45,940			\$ 17,781,764
16	GAS										
17	Federal Income Tax										
18	State Income Tax										
19											
20	TOTAL Gas (Lines 17 thru 19)										
21	OTHER										
22	Federal Income Tax										
23	State Income Tax										
24	TOTAL Other (Lines 22 and 23)	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
25	TOTAL (Total of lines 5, 10 and 15)	\$ 37,221,017	\$ 1,599,033	\$ 1,394,870	\$ 104,514	\$ 17,938		45,940	1,241,552		\$ 36,316,144

**Notes**

**Account 282 - Debits**

As we integrated accounting systems we further refined which GL accounts and divisions have DIT balances. This resulted in top-level balance sheet reclasses in 2010, 2011, and 2012.

**Account Various - Credits**

Deferred tax gain reclassified to Florida Public Utilities - Natural Gas and other affiliates

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME  
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	<b>Net Income for the Year (Page 9)</b>	\$ 6,007,900
2	Reconciling Items for the Year	
3		
4	<b>Taxable Income Not Reported on Books</b>	
5	Asset Gain (Loss)	\$ 46,501
6	<b>Deductions Recorded on Books Not Deducted for Return</b>	
7	Current Federal Income Taxes	\$ 2,046,936
8	Deferred Income Taxes	\$ 1,341,017
9	Storm Reserve	\$ 6,000
10	Customers Intangibles	\$ 425,455
11	Lobbying Expenses	\$ 531
12	Rate Case Expenses	\$ 150,912
13	Meals	\$ 76,247
14	Acquisition Adjustment	\$ 1,789,692
15	Merger Expenses	\$ 564,768
16	Conservation Program Costs	\$ 868,323
17	Short-term Bonus (IPP)	\$ 223,948
18	Piping/Conversion	\$ 176,704
19	Taxable Service Contributions (CIAC)	\$ 647,500
20	<b>Income Recorded on Books Not Included in Return</b>	
21	Amortization of Regulatory Liability	\$ (355,740)
22	<b>Deductions on Return Not Charged Against Book Income</b>	
23	Insurance losses	\$ (89,031)
24	Environmental Costs	\$ (66,140)
25	Write-offs of Bad Debt	\$ (27,658)
26	Amortization of Tax Deductible Goodwill - Atlantic Acquisition	\$ (339,564)
27	Excess of allowable depreciaton over that charged to depreciation and other book expenses	\$ (4,056,227)
28	ITC Amortization	\$ (19,158)
29	Removal cost	\$ (270,938)
30	<b>Federal Tax Net Income</b>	\$ 9,147,978
31	Show Computation of Tax:	
32	Tax at 35%	\$ 3,201,792
33	Add:Reversal of Prior Year Bennefit of Federal Consolidated NOL carryforward	\$ (1,159,064)
34	Interest adjustment	\$ (2,481)
35	Prior year Federal income tax true up	\$ 6,689
36	<b>Total Federal Income Tax Payable</b>	\$ 2,046,936



**GAS OPERATING REVENUES (Account 400)**

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	<b>Gas Service Revenues</b>						
2	<b>Firm Sales Service</b>						
3	480 Residential Sales	\$ 20,002,729	\$ 20,775,867	12,050,456	11,751,587	47,922	47,259
4	481 Comm & Industrial Sales - Small	\$ 8,896,452	\$ 8,769,211	8,212,468	7,561,855	3,262	3,172
5	481 Comm & Industrial Sales - Large	\$ 18,278,276	\$ 22,617,131	19,523,361	22,024,900	1,196	1,279
6	481 Outdoor Lighting	\$ 246,951	\$ 209,732	237,101	329,183	44	46
7	481						
8	481						
9	<b>Interruptible Sales Service</b>						
10	481 Comm & Ind Sales - Interruptible	\$ -	\$ -	-	-	-	-
11	481						
12	<b>Firm Transportation Service</b>						
13	489	\$ 8,337,281	\$ 6,509,145	20,095,416	15,947,398	818	671
14	489	\$ -	\$ -	-	-	-	-
15	489	\$ -	\$ -	-	-	-	-
16	<b>Interruptible Transportation Serv.</b>						
17	489	\$ 1,472,911	\$ 1,625,842	5,577,114	5,913,722	13	13
18	484 Interdepartmental	\$ 10,354	\$ 31,579	10,813	59,191	-	6
19	482 Other Sales to Public Authorities	\$ -	\$ -	-	-	-	-
20	484 Flex Rate - Refund	\$ -	\$ -	-	-	-	-
21	TOTAL Sales to Ultimate Consumers	\$ 57,244,954	\$ 60,538,507	65,706,730	63,587,835	53,255	52,446
22	483 Sales for Resale	\$ -	\$ -	-	-	-	-
23	Off-System Sales 4954x & 4955x	\$ -	\$ -	-	-	-	-
24	TOTAL Nat. Gas Service Revenues	\$ -	\$ -	-	-	-	-
25	TOTAL Gas Service Revenues	\$ 57,244,954	\$ 60,538,507				
26	<b>Other Operating Revenues</b>						
27	485 Intracompany Transfers	\$ -	\$ -				
28	487 Forfeited Discounts	\$ 798,825	\$ 727,836				
29	488 Misc. Service Revenues	\$ 609,812	\$ 719,499				
30	489 Rev. from Trans. of Gas of Others	\$ -	\$ -				
31	not included in above rate schedules)	\$ -	\$ -				
32	493 Rent from Gas Property	\$ -	\$ -				
33	494 Interdepartmental Rents	\$ -	\$ -				
34	495 Other Gas Revenues						
35	Initial Connection	\$ -	\$ -				
36	Overrecoveries Conservation 495.7	\$ -	\$ -				
37	AEP & Storm Surcharge 4956	\$ 246,724	\$ 548,024				
38	Unbilled Revenue 495.3	\$ 691,396	\$ (663,619)				
39	Other 495.2	\$ 457,847	\$ 711,054				
40	495.1 Overrecoveries Purchased Gas	\$ 1,401,534	\$ 645,350				
41	TOTAL Other Operating Revenues	\$ 4,206,138	\$ 2,688,144				
42	TOTAL Gas Operating Revenues	\$ 57,244,954	\$ 60,538,507				
43	(Less) 496 Provision for Rate Refunds	\$ -	\$ -				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	\$ 61,451,092	\$ 63,226,651				
45	Sales for Resale	\$ -	\$ -				
46	Other Sales to Public Authority	\$ -	\$ -				
47	Interdepartmental Sales	\$ -	\$ -				
48	TOTAL	\$ 61,451,092	\$ 63,226,651	65,706,730	63,587,835		

Notes

Dec. 31, 2012

**GAS OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	<b>1. Production Expenses</b>		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases	\$ 11,207,744	\$ 15,709,264
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	\$ 6,957,578	\$ 5,562,302
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases		
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	\$ 18,165,322	\$ 21,271,566
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses	\$ 1,358	\$ 4,692
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)	\$ 1,358	\$ 4,692
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit		
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	\$ -	\$ -
35	813 Other Gas Supply Expenses	\$ -	\$ 917
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	\$ 18,166,680	\$ 21,277,176
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	\$ 18,166,680	\$ 21,277,176
38	<b>2. Natural Gas Storage, Terminating and Processing Expenses</b>		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)	\$ 2,651	\$ 2,731
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminating & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)	\$ 2,651	\$ 2,731
43	<b>3. Transmission Expenses</b>		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)		
45			
46			

Dec. 31, 2012

**GAS OPERATION AND MAINTENANCE EXPENSES (Continued)**

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	<b>4. Distribution Expenses</b>		
48	Operation		
49	870 Operation Supervision and Engineering	\$ 703,920	\$ 706,593
50	871 Distribution Load Dispatching	\$ 15,012	\$ 8,113
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	\$ 1,341,344	\$ 1,390,820
54	875 Measuring and Regulating Station Expenses--General	\$ 6,163	\$ 2,145
55	876 Measuring and Regulating Station Expenses--Industrial	\$ 22,657	\$ 10,577
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	\$ 73,609	\$ 88,398
57	878 Meter and House Regulator Expenses	\$ 1,064,975	\$ 1,476,392
58	879 Customer Installations Expenses	\$ 106,255	\$ 162,351
59	880 Other Expenses	\$ 234,299	\$ 426,073
60	881 Rents	\$ -	\$ -
61	TOTAL Operation (Total of lines 49 through 60)	\$ 3,568,234	\$ 4,271,463
62	Maintenance		
63	885 Maintenance Supervision and Engineering	\$ 52,192	\$ 60,810
64	886 Maintenance of Structures and Improvements	\$ 42,136	\$ 44,258
65	887 Maintenance of Mains	\$ 298,069	\$ 535,232
66	888 Maintenance of Compressor Station Equipment	\$ -	\$ -
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	\$ 7,082	\$ 22,739
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	\$ 6,172	\$ 5,189
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	\$ 43,356	\$ 93,697
70	892 Maintenance of Services	\$ 203,072	\$ 331,323
71	893 Maintenance of Meters and House Regulators	\$ 196,773	\$ 170,359
72	894 Maintenance of Other Equipment	\$ (569,561)	\$ (576,039)
73	TOTAL Maintenance (Total of Lines 63 through 72)	\$ 279,291	\$ 687,569
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	\$ 3,847,526	\$ 4,959,032
75	<b>5. Customer Accounts Expenses</b>		
76	Operation		
77	901 Supervision	\$ 176,667	\$ 132,867
78	902 Meter Reading Expenses	\$ 751,982	\$ 787,517
79	903 Customer Records and Collection Expenses	\$ 1,552,631	\$ 1,777,824
80	904 Uncollectible Accounts	\$ 229,447	\$ 214,161
81	905 Miscellaneous Customer Accounts Expenses	\$ 20,461	\$ (589)
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	\$ 2,731,189	\$ 2,911,780
83	<b>6. Customer Service and Informational Expenses</b>		
84	Operation		
85	907 Supervision	\$ 46,909	\$ 114,746
86	908 Customer Assistance Expenses	\$ 1,579,803	\$ 1,856,128
87	909 Informational and Instructional Expenses	\$ 1,022,374	\$ 1,148,540
88	910 Miscellaneous Customer Service and Informational Expenses	\$ 900,220	\$ (531,190)
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	\$ 3,549,306	\$ 2,588,224
90	<b>7. Sales Expenses</b>		
91	Operation		
92	911 Supervision	\$ 198,880	\$ 123,372
93	912 Demonstrating and Selling Expenses	\$ 666,737	\$ 781,766
94	913 Advertising Expenses	\$ 251,808	\$ 198,602
95	916 Miscellaneous Sales Expenses	\$ -	\$ 8,082
96	TOTAL Sales Expenses (Total of lines 92 through 95)	\$ 1,117,424	\$ 1,111,822
97			

Name of Respondent		For the Year Ended	
Natural Gas Division		Dec. 31, 2012	
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account	Amount for Current Year	Amount for Previous Year
98	<b>8. Administrative and General Expenses</b>		
99	Operation		
100	920 Administrative and General Salaries	\$ 2,593,542	\$ 2,786,875
101	921 Office Supplies and Expenses	\$ 1,330,875	\$ 1,506,489
102	(Less) (922) Administrative Expenses Transferred--Credit		
103	923 Outside Services Employed	\$ 333,825	\$ (85,956)
104	924 Property Insurance	\$ 71,093	\$ 65,638
105	925 Injuries and Damages	\$ 726,135	\$ 407,721
106	926 Employee Pensions and Benefits	\$ 1,980,367	\$ 2,235,953
107	927 Franchise Requirements	\$ -	\$ -
108	928 Regulatory Commission Expenses	\$ 150,912	\$ 147,591
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses	\$ 1,548	
111	930.2 Miscellaneous General Expenses	\$ 386,120	\$ 192,242
112	931 Rents	\$ 190,780	\$ 16,370
113	TOTAL Operation (Total of lines 100 through 112)	\$ 7,765,197	\$ 7,272,922
114	Maintenance		
115	935 Maintenance of General Plant	\$ 125,562	\$ 106,092
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	\$ 7,890,759	\$ 7,379,014
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	\$ 37,305,535	\$ 40,229,778
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES	
	1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
	2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
	3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.
1	
2	1. Payroll Period Ended (Date) 10/31/2012
3	2. Total Regular Full-Time Employees 202
4	3. Total Part-Time and Temporary Employees -
5	4. Total Employees 202
6	
7	
8	
9	
10	
11	
12	
13	

**GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)**

1. Provide totals for the following accounts:
- 800 - Natural Gas Well Head Purchases
- 800.1- Natural Gas Well Head Purchases  
Intracompany Transfers
- 801 - Natural Gas Field Line Purchases
- 802 - Natural Gas Gasoline Plant Outlet Purchases
- 803 - Natural Gas Transmission Line Purchases
- 804 - Natural Gas City Gate Purchases
- 804.1- Liquefied Natural Gas Purchases
- 805 - Other Gas Purchases
- 805.1- Purchases Gas Cost Adjustments

- The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.
2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.
3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased- Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases	37,488,489	\$ 11,207,744	\$ 29.90
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	32,505,206	\$ 6,957,578	\$ 21.40
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases			
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)	69,993,695	\$ 18,165,322	\$ 25.95

**Notes to Gas Purchases**

**GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)**

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.

4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL			

**REGULATORY COMMISSION EXPENSES (Account 928)**

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.  
 2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.  
 3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186  
 4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.  
 5. Minor items (less than \$25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year		Amortized During Year		Deferred in Account 186 End of Year (i)	
				Charged Currently to		Deferred to Account 186 (f)	Contra Account (g)		Amount (h)
				Account No. (d)	Amount (e)				
1	All expenses incurred by the company								
2	In its filings for Rate Relief for								
3	Gas Docket Number 080366-GU	\$ 540,768	\$ 213,787				928 \$ 150,912	\$ 62,875	
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL	\$ 540,768	\$ 213,787		\$ -	\$ -	\$ 150,912	\$ 62,875	

**MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)**

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	\$ 5,993
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	\$ 69,519
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.)	
5		
6	Directors Fees and Expenses	\$ 310,608
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	TOTAL	\$ 386,120

**DISTRIBUTION OF SALARIES AND WAGES**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	<b>Electric</b>			
2	TOTAL Operation and Maintenance - Electric			\$ -
3	<b>Gas</b>			
4	Operation			
5	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	\$ 2,104		
6	Transmission			
7	Distribution	\$ 1,899,748		
8	Customer Accounts	\$ 1,612,916		
9	Customer Service and Informational	\$ 468,177		
10	Sales	\$ 713,262		
11	Administrative and General	\$ 733,320		
12	TOTAL Operation (Total of lines 5 through 11)	\$ 5,429,526		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission			
16	Distribution	\$ (188,198)		
17	Administrative and General	\$ 286		
18	TOTAL Maintenance (Total of lines 14 through 17)	\$ (187,912)		
19	Total Operation and Maintenance	\$ 5,241,614		
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing	\$ 2,104		
21	Transmission (Enter Total of lines 6 and 15)	\$ -		
22	Distribution (Total of lines 7 and 16)	\$ 1,711,550		
23	Customer Accounts (Transcribe from line 8)	\$ 1,612,916		
24	Customer Service and Informational (Transcribe from line 9)	\$ 468,177		
25	Sales (Transcribe from line 10)	\$ 713,262		
26	Administrative and General (Total of lines 11 and 17)	\$ 733,606		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	\$ 5,241,614	\$ 1,558,438	\$ 6,800,052
28	<b>Other Utility Departments</b>			
29	Operation and Maintenance			
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)	\$ 5,241,614	\$ 1,558,438	\$ 6,800,052
31	<b>Utility Plant</b>			
32	Construction (By Utility Departments)			
33	Electric Plant			
34	Gas Plant	\$ 1,891,927		\$ 1,891,927
35	Other			
36	TOTAL Construction (Total of lines 33 through 35)	\$ 1,891,927	\$ -	\$ 1,891,927
37	Plant Removal (By Utility Department)			
38	Electric Plant			
39	Gas Plant	\$ 134,913		\$ 134,913
40	Other			
41	TOTAL Plant Removal (Total of lines 38 through 40)	\$ 134,913	\$ -	\$ 134,913
42				
43	Other Accounts (Specify):			
44	Other/Employee Accounts Receivable	\$ 35,323		\$ 35,323
45	Miscellaneous Deferred Debits	\$ 46,480		\$ 46,480
46				
47				
48				
49				
50				
51				
52				
53	TOTAL Other Accounts	\$ 81,803	\$ -	\$ 81,803
54	<b>TOTAL SALARIES AND WAGES</b>	\$ 7,350,257	\$ 1,558,438	\$ 8,908,695

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including		payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities. (a) Name of person or organization rendering services, (b) description of services received, (c) basis of charges, (d) total charges for the year, detailing account charged. 2. For any services which are of a continuing nature, give the date and term of contract. 3. Designate with an asterisk associated companies.	
	Description		Amount
1	CONNECTRIA CORPORATION	Other Outside Services	\$ 26,010
2	AMERASSIST AR SOLUTIONS INC		\$ 30,197
3	Coll. Agency & Cr. Reports	\$15,236	
4	Other Customer Related Expenses	\$14,961	
5	GEORGE M BACHMAN	Consulting	\$ 32,562
6	SIEMENS INDUSTRY INC		\$ 33,778
7	Consulting	\$11,546	
8	Other Outside Services	\$22,231	
9	CHARLES L STEIN	Consulting	\$ 36,180
10	CROSSCOUNTRY CONSULTING LLC	Consulting	\$ 39,927
11	PRICEWATERHOUSE COOPERS LLP	Other Outside Services	\$ 40,118
12	CRYSTAL KEY RESOURCES INC	Consulting	\$ 43,289
13	SPARKS RESEARCH	Consulting	\$ 60,478
14	VERTEX BUSINESS SERVICES	Other Customer Related Expenses	\$ 69,354
15	GUNSTER YOAKLEY & STEWART PA	Legal	\$ 90,902
16	WARSCHAWSKI PUBLIC RELATIONS INC		\$ 116,631
17	Consulting	\$70,228	
18	Other Outside Services	\$46,402	
19	BAKER & HOSTETLER LLP		\$ 168,515
20	Legal	\$132,407	
21	Consulting	\$36,108	
22	PARENTEBEARD LLC	Audit Fees	\$ 193,847
23	KUBRA DATA TRANSFER LTD	Other Customer Related Expenses	\$ 332,389
24	OTHER		\$ 353,443
25	Coll. Agency & Cr. Reports	\$268	
26	Recruiting Costs	\$385	
27	Customer Satisfaction	\$843	
28	Tax Preparation Fees	\$7,718	
29	Service Contractor Costs	\$12,077	
30	Other Customer Related Expenses	\$44,492	
31	Other Outside Services	\$48,906	
32	Legal	\$77,148	
33	Consulting	\$161,607	
34	HIGH TECH ENGINEERING INC		\$ 472,907
35	Other Outside Services	\$298,981	
36	Service Contractor Costs	\$173,926	
37	RUTH ASSOCIATES INC	Consulting	\$ 535,237
38	HEATH CONSULTANTS INCORPORATED	Other Outside Services	\$ 591,428

**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.  
(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.  
(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts  
(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1	Account 425: Miscellaneous Amortization	\$ -
2		
3	Account 426: Miscellaneous Income Deductions	
4	426.1 Charitable Contributions	\$ 16,995
5	426.2 Life Insurance	
6	426.3 Penalties	\$ 531
7	426.4 Expenditures for Lobbying and Other Politically Related Activities	
8	426.5 Other	\$ (24,377)
9	TOTAL MISCELLANEOUS INCOME DEDUCTIONS	\$ (6,851)
10		
11		
12	Account 430: Interest on Debt to Associated Company	\$ (2,693)
13		
14		
15	Account 431: Other Interest Expense	
16	431.1 Interest on Customer Deposits	\$ 342,202
17	431.2 Interest on ST Debt	\$ 105,710
18	431.3 Interest on Miscellaneous	\$ 2,319
19	TOTAL OTHER INTEREST EXPENSE	\$ 450,231
20		
21		
22		
23		



**Reconciliation of Gross Operating Revenues  
 Annual Report versus Regulatory Assessment Fee Return**

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

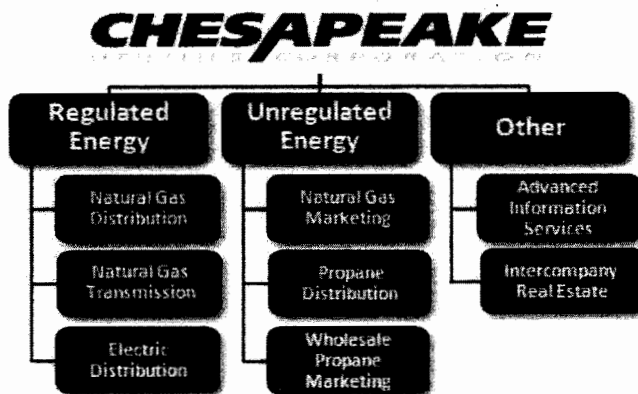
	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 26	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	\$ 47,434,763		\$ 47,434,763	47,434,763	\$ -
2	Sales for Resale (483)					
3	Total Natural Gas Service Revenues	\$ 47,434,763		\$ 47,434,763	47,434,763	\$ -
4	Total Other Operating Revenues (485-495)	\$ 14,016,330		\$ 14,016,330	14,016,330	\$ -
5	Total Gas Operating Revenues	\$ 61,451,092		\$ 61,451,092	61,451,092	\$ -
6	Provision for Rate Refunds (496)					
7	Other (Specify)					
8						
9						
10	Total Gross Operating Revenues	\$ 61,451,092		\$ 61,451,092	61,451,092	\$ -

Notes:

**CORPORATE STRUCTURE**

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date: December 31, 2012



**Regulated Energy**

**Natural Gas Distribution:**

- Chesapeake Utilities
- Central Florida Gas
- Florida Public Utilities Company

**Natural Gas Transmission:**

- Eastern Shore Natural Gas Company
- Peninsula Pipeline Company

**Electric Distribution:**

- Florida Public Utilities Company

**Unregulated Energy**

**Natural Gas Marketing:**

- Peninsula Energy Services Company, Inc.

**Propane Distribution:**

- Sharp Energy, Inc.
- Flo-Gas Company

**Wholesale Propane Marketing:**

- Xeron, Inc.

**Other**

**Advanced Information Services:**

- BravePoint, Inc.

**Intercompany Real Estate:**

- Eastern Shore Real Estate, Inc.
- Skipjack, Inc.

**Chesapeake Investment Company**

**SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS**

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
Chesapeake Utilities Corporation	Parent Company:				
	Corporate Services		p		\$ 1,791,311
	Corporate Overheads		p		\$ 2,661,992
Florida Division of Chesapeake (CFG)	Affiliate: Provide certain managerial, operations, and customer service functions.		s		\$ 1,997,376

**NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES**

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract
Peninsula Energy Services	Delivered gas purchase contract from May 1, 2012 to April 30, 2013. The price is IFERC FGT Zone 3 plus .54MMBTu plus FGT FTS-1 usage and fuel retention. The minimum purchase amounts vary by month. The lowest min purchase is 1,000 MMBTu in August and November through April. The max of the mins is 4,000 MMBTUs in May and October.
Peninsula Pipeline Company, Inc.	Firm Transportation Service Agreement between FPUC and Peninsula Pipeline Company (PPC) entered into Feb 2012 but beginning April 2012. The agreement is for 15 years and then an indefinite amount of 5 year extensions. The monthly payment is \$175,833 for a maximum of 7,500 Dths per day.

**INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000**

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
Peninsula Pipeline Company, Inc.	Firm Transportation Service Agreement between FPUC and PPC	(1,582,497)
Peninsula Energy Services	2012 Imbalance Settlements	(221,059)
Peninsula Energy Services	Delivered Gas Deal	(3,029,335)
FPU - Indiantown Division	Property plant and equipment transfers	(11,533)
Florida Public Utilities - Electric	Property plant and equipment transfers	(102,679)

**ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES**

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
<b>Purchases from Affiliates:</b>							
None		\$	\$	\$	\$	\$	
<b>Total</b>						\$	
<b>Sales to Affiliates:</b>							
None		\$	\$	\$	\$	Sales Price	
<b>Total</b>						\$	

**EMPLOYEE TRANSFERS**

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Measurement Tech. II	Measurement Tech. II	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Projects Supervisor	Projects Supervisor	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Measurement Tech. II	Measurement Tech. II	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Project Manager	Project Manager	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Propane Distr. Mgr.	Propane Distr. Mgr.	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Engineering Tech.	Engineering Tech.	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Compliance & Training Mgr	Compliance & Training Mgr	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Business Develop. Mgr.	Business Develop. Mgr.	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Safety, Compl&Train Coord	Safety, Compl&Train Coord	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Gas Operations Mgr.	Gas Operations Mgr.	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Sr Energy Conservation Re	Sr Energy Conservation Re	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Sales Manager	Sales Manager	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	V.P. of Customer Care	V.P. of Customer Care	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Dir. Operations & Eng.	Dir. Operations & Eng.	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Operations Tech. III	Operations Tech. III	Permanent
Florida Division of Chesapeake (CFG)	Florida Public Utilities - Natural Gas	Mgr, Business Planning	Mgr, Business Planning	Permanent