



FLORIDA PUBLIC SERVICE  
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ECONOMIC REGULATION

March 15, 2011

Mr. Marshall Willis  
Director, Division of Economic Regulation  
Florida Public Service Commission  
2540 Shumard Blvd.  
Tallahassee, Florida 32399-0950

Dear Mr. Willis:

Subject: Earnings Surveillance Report

Enclosed is the earnings surveillance report (Schedules 1 through 4) for Florida Public Utilities' Natural Gas for the twelve months ended December 31, 2010.

If you have any questions or need additional information, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Curtis D. Young".

Curtis D. Young  
Regulatory Analyst

Cc:  
Geoffroy, Thomas  
Householder, Jeff (Sch 1 only)  
Office of Public Counsel - Christensen (all)  
Gulf Power Company-Buck, William G. (all Electric only)  
Webber, Kevin (all)  
Kennedy, Barry (all Nat gas)  
Cutshaw, Mark (all Electric only)  
Shelley, Buddy (all Electric only)  
SJ 45-69 (all)

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 December 31, 2010

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FFSC ADJUSTMENTS	(3) FFSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 8,792,297	\$38,340	\$9,830,737	(\$1,480,445)	\$7,250,291
AVERAGE RATE BASE	\$108,165,286	(\$37,883,320)	\$70,281,967	\$35,725,189	\$106,007,156
AVERAGE RATE OF RETURN	8.13%		12.56%		6.93%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$8,792,297	\$76,497	\$8,868,894	(\$1,480,445)	\$7,388,448
YEAR-END RATE BASE	\$111,751,822	(\$37,883,320)	\$74,052,218	\$35,013,216	\$109,065,434
YEAR-END RATE OF RETURN	7.87%		11.98%		6.77%

III. REQUIRED RATES OF RETURN  
 AVERAGE CAPITAL STRUCTURE  
 (FFSC ADJUSTED BASIS)

LOW	7.42%
MIDPOINT	7.88%
HIGH	8.35%

IV. EARNED RETURN ON EQUITY  
 (FFSC ADJUSTED BASIS)

A.	INCL COMP RATE ADJ REVENUES	20.98%
B.	EXCL COMP RATE ADJ REVENUES	20.98%

I am aware that Section 887.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Thomas A. Geoffrey  
 Vice President - Regulatory Affairs & Business Planning

*Thomas A. Geoffrey*  
 Signature

3-8-11

Date

FLORIDA PUBLIC UTILITIES COMPANY  
NATURAL GAS  
AVERAGE RATE OF RETURN  
For the 12 Months Ending December 31, 2010  
RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$150,417,129	(\$44,226,322)	\$106,190,806	\$0	\$2,431,727	\$108,622,593	(\$457,247)	\$108,165,286
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ. RATE REFUND PENDING - 2009 ELIM. COMMON PLANT	\$0 (\$34,503,288) \$0 (\$1,876,631)	\$0 \$0 \$595,650	\$0 (\$34,503,288) \$0 (\$1,281,001)	\$0	\$0	\$0 (\$34,503,288) \$0 (\$1,281,001)	(\$2,141,361) (\$34,503,288) \$42,330	(\$2,141,361) (\$34,503,288) \$42,330 (\$1,281,001)
TOTAL FPSC ADJUSTMENTS	(\$36,379,919)	\$595,630	(\$35,784,289)	\$0	\$0	(\$35,784,289)	(\$2,099,031)	(\$37,883,320)
FPSC ADJUSTED	\$114,037,210	(\$43,630,692)	\$70,406,517	\$0	\$2,431,727	\$72,838,244	(\$2,556,278)	\$70,281,967
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$114,037,210	(\$43,630,692)	\$70,406,517	\$0	\$2,431,727	\$72,838,244	(\$2,556,278)	\$70,281,967
PRO-FORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT TRANSACTION & TRANSITION COSTS TOTAL PRO-FORMA ADJUSTMENTS	\$34,679,776 \$34,679,776	(\$776,408) (\$776,408)	\$33,903,368 \$33,903,368	\$0	\$0	\$33,903,368 \$33,903,368	\$1,821,821 \$1,821,821	\$33,903,368 \$1,821,821 \$35,725,189
PRO-FORMA ADJUSTED	\$148,716,986	(\$44,407,100)	\$104,309,885	\$0	\$2,431,727	\$106,741,612	(\$734,457)	\$106,007,156



FLORIDA PUBLIC UTILITIES COMPANY  
NATURAL GAS  
YEAR END RATE OF RETURN  
For the 12 Months Ending December 31, 2010  
RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$152,370,659	(\$46,093,271)	\$106,277,388	\$0	\$3,828,109	\$110,105,497	\$1,646,325	\$111,751,822
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,791,143)	(\$1,791,143)
ELIMINATE ACQUISITION ADJ.	(\$34,679,776)	\$0	(\$34,679,776)	\$0	\$0	(\$34,679,776)	\$0	(\$34,679,776)
RATE REFUND PENDING - 2009	(\$1,885,936)	\$657,251	(\$1,228,685)	\$0	\$0	(\$1,228,685)	\$0	(\$1,228,685)
ELIM. COMMON PLANT	(\$36,565,712)	\$657,251	(\$35,908,461)	\$0	\$0	(\$35,908,461)	(\$1,791,143)	(\$37,699,604)
TOTAL FPSC ADJUSTMENTS								
FPSC ADJUSTED	\$115,804,947	(\$45,436,020)	\$70,368,927	\$0	\$3,828,109	\$74,197,036	(\$144,818)	\$74,052,218
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$115,804,947	(\$45,436,020)	\$70,368,927	\$0	\$3,828,109	\$74,197,036	(\$144,818)	\$74,052,218
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$34,679,776	(\$1,358,714)	\$33,321,062	\$0	\$0	\$33,321,062	\$1,697,154	\$33,321,062
TRANSACTION & TRANSITION COSTS	(\$34,679,776)	(\$1,358,714)	(\$33,321,062)	\$0	\$0	(\$33,321,062)	\$1,697,154	(\$33,321,062)
TOTAL PRO FORMA ADJUSTMENTS								
PRO FORMA ADJUSTED	\$150,484,723	(\$46,794,734)	\$103,689,989	\$0	\$3,828,109	\$107,518,098	\$1,547,336	\$109,065,434



SCHEDULE 4

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 CAPITAL STRUCTURE  
 December 31, 2010  
 FPSC ADJUSTED BASIS

AVERAGE	ADJUSTMENTS			ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$54,333,798	(\$1,281,001)	\$53,052,797	\$14,430,588	(\$34,679,776)		\$32,803,609	46.67%	9.85%	4.60%	10.85%	5.06%	11.85%	5.53%
LONG TERM DEBT	\$26,289,530		\$26,289,530	(\$14,195,000)	\$9,518,444		\$21,612,974	30.75%	6.96%	2.14%	6.96%	2.14%	6.96%	2.14%
SHORT TERM DEBT	\$9,518,444		\$9,518,444		(\$9,518,444)		\$0	0.00%	1.76%	0.00%	1.76%	0.00%	1.76%	0.00%
CUSTOMER DEPOSITS	\$7,628,340		\$7,628,340				\$7,628,340	10.85%	6.21%	0.67%	6.21%	0.67%	6.21%	0.67%
DEFERRED INCOME TAXES	\$8,154,499		\$8,154,499				\$8,154,499	11.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$82,545		\$82,545				\$82,545	0.12%	8.42%	0.01%	9.01%	0.01%	9.59%	0.01%
TOTAL AVERAGE	\$106,007,156	(\$1,281,001)	\$104,726,155	\$235,588	(\$34,679,776)		\$70,281,967	100.00%	7.42%		7.88%		8.35%	

YEAR-END	ADJUSTMENTS			ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	NON-UTILITY						COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$55,926,129	(\$1,228,685)	\$54,697,444	\$14,809,106	(\$34,679,776)		\$34,816,774	47.03%	9.85%	4.63%	10.85%	5.10%	11.85%	5.57%
LONG TERM DEBT	\$27,059,983		\$27,059,983	(\$13,913,861)	\$9,797,396		\$22,943,518	30.96%	6.94%	2.15%	6.94%	2.15%	6.94%	2.15%
SHORT TERM DEBT	\$9,797,396		\$9,797,396		(\$9,797,396)		\$0	0.00%	1.65%	0.00%	1.65%	0.00%	1.65%	0.00%
CUSTOMER DEPOSITS	\$7,719,218		\$7,719,218				\$7,719,218	10.42%	6.21%	0.65%	6.21%	0.65%	6.21%	0.65%
DEFERRED INCOME TAXES	\$8,495,416		\$8,495,416				\$8,495,416	11.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$67,293		\$67,293				\$67,293	0.09%	8.15%	0.01%	8.73%	0.01%	9.32%	0.01%
TOTAL YEAR-END	\$109,065,485	\$0	\$107,836,750	\$895,245	(\$34,679,776)		\$74,052,219	100.00%	7.44%		7.91%		8.38%	