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October 14, 2011

**VIA E-MAIL - MWILLIS@PSC.STATE.FL.US
AND HAND DELIVERY**

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

**Re: Florida Public Utilities Company and Florida Division of Chesapeake Utilities
Corporation/Surveillance Reports**

Dear Mr. Willis:

Consolidated Case

In accordance with Rules 25-6.1352 (3) and 25-7.1352 (3), F.A.C., Florida Public Utilities Company ("FPUC")(All Divisions) and the Florida Division of Chesapeake Utilities Corporation ("CFG") hereby submit an electronic copy the Companies' required 2nd Quarter Earnings Surveillance Reports. Hard copies will follow by hand delivery.

If you have any questions or concerns whatsoever in this regard, please do not hesitate to contact me. Thank you for your consideration of this Request.

Sincerely,


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

MEK

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED NATURAL GAS DIVISION

2ND QUARTER EARNINGS SURVEILLANCE REPORT

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 January, 2011

SCHEDULE E

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 7,585,568	\$442,549	\$8,028,117	(\$2,465,439)	\$5,562,678
AVERAGE RATE BASE	\$107,742,619	(\$25,227,751)	\$72,514,868	\$34,554,921	\$107,069,789
AVERAGE RATE OF RETURN	7.04%		11.07%		6.13%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$7,585,568	\$375,999	\$7,961,567	(\$1,465,439)	\$6,496,128
YEAR-END RATE BASE	\$108,377,403	(\$35,462,479)	\$72,914,924	\$32,764,330	\$105,679,254
YEAR-END RATE OF RETURN	7.00%		10.92%		6.09%
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)					
LOW	6.85%				
MIDPOINT	7.33%				
HIGH	7.78%				
IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)					
			A.	INCL. COMP. RATE ADJ. REVENUES	39.85%
			B.	EXCL. COMP. RATE ADJ. REVENUES	19.85%

I am aware that Section 832.06, Florida Statutes, provides:

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

Cheryl M. Martin
 Director - Regulatory Affairs

Cheryl M. Martin 10/14/11
 Signature Date

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 RATE OF RETURN REPORT SUMMARY
 June 30, 2011

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 7,585,568	\$442,549	\$8,028,117	(\$1,465,439)	\$6,562,678
AVERAGE RATE BASE	\$107,742,419	(\$35,227,751)	\$72,514,668	\$34,554,921	\$107,069,588
AVERAGE RATE OF RETURN	7.04%		11.07%		6.13%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$7,585,568	\$375,999	\$7,961,567	(\$1,465,439)	\$6,496,128
YEAR-END RATE BASE	\$108,377,403	(\$35,462,479)	\$72,914,924	\$33,764,330	\$106,679,254
YEAR-END RATE OF RETURN	7.00%		10.92%		6.09%
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III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	6.88%		A.	INCL COMP RATE ADJ REVENUES	19.85%
MIDPOINT	7.33%		B.	EXCL COMP RATE ADJ REVENUES	19.85%
HIGH	7.78%				

I am aware that Section 837.06, Florida Statutes, provides:

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

Cheryl M. Martin
 Director - Regulatory Affairs

Signature

Date

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 AVERAGE RATE OF RETURN
 For the 12 Months Ending June 30, 2011
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$155,010,760	(\$45,617,506)	\$109,393,254	\$0	\$2,378,685	\$111,771,939	(\$4,029,520)	\$107,742,419
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$700,646	\$700,646
ELIMINATE ACQUISITION ADJ.	(\$34,668,365)	\$0	(\$34,668,365)			(\$34,668,365)		(\$34,668,365)
RATE REFUND PENDING - 2009	\$0		\$0			\$0	\$0	\$0
ELIM. NON-UTILITY PLANT	(\$1,883,979)	\$623,947	(\$1,260,032)			(\$1,260,032)		(\$1,260,032)
TOTAL FPSC ADJUSTMENTS	(\$36,552,344)	\$623,947	(\$35,928,397)	\$0	\$0	(\$35,928,397)	\$700,646	(\$35,227,751)
FPSC ADJUSTED	\$118,458,416	(\$44,993,559)	\$73,464,857	\$0	\$2,378,685	\$75,843,542	(\$3,328,874)	\$72,514,668
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$118,458,416	(\$44,993,559)	\$73,464,857	\$0	\$2,378,685	\$75,843,542	(\$3,328,874)	\$72,514,668
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$34,192,473	(\$1,329,707)	\$32,862,766			\$32,862,766		\$32,862,766
TRANSACTION & TRANSITION COSTS							\$1,692,154	\$1,692,154
TOTAL PRO FORMA ADJUSTMENTS	\$34,192,473	(\$1,329,707)	\$32,862,766	\$0	\$0	\$32,862,766	\$1,692,154	\$34,554,921
PRO FORMA ADJUSTED	\$152,650,889	(\$46,323,265)	\$106,327,623	\$0	\$2,378,685	\$108,706,308	(\$1,636,720)	\$107,069,588

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS
AVERAGE RATE OF RETURN
For the 12 Months Ending June 30, 2011
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$60,198,320	\$ 24,348,815	\$14,832,123	\$5,411,565	\$4,528,194	\$3,492,055				\$52,612,752	\$7,585,568
FPSC ADJUSTMENTS:											
1) INTEREST SYNCHRONIZATION						\$84,885				\$84,885	(\$84,885)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (21,729,369)	\$ (21,627,111)			(\$106,154)	\$1,503				(\$21,731,762)	\$2,393
3) ELIMINATE CONSERVATION	(\$2,727,474)	(\$2,721,704)			(\$10,676)	\$1,892				(\$2,730,487)	\$3,013
4)NON-UTILITY DEPRECIATION EXPENSE				(\$126,186)		\$48,676				(\$77,510)	\$77,510
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$796,443)			(\$792,461)		(\$1,536)				(\$793,997)	(\$2,446)
6) WEATHER ADJUSTMENT	\$750,000					\$289,313				\$289,313	\$460,688
7)INCOME TAX SYNCH ADJUSTMENT						\$13,723				\$13,723	(\$13,723)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$24,503,286)	(\$24,348,815)	\$0	(\$918,647)	(\$116,830)	\$438,456	\$0	\$0	\$0	(\$24,945,835)	\$442,549
FPSC ADJUSTED	\$35,695,034	\$0	\$14,832,123	\$4,492,918	\$4,411,364	\$3,930,511	\$0	\$0	\$0	\$27,666,917	\$8,028,117
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	\$0					#REF!				#REF!	#REF!
ADJUSTED FOR FLEX RATE REVENUES	\$35,695,034	\$0	\$14,832,123	\$4,492,918	\$4,411,364	#REF!	\$0	\$0	\$0	#REF!	#REF!
ACQUISITION ADJ. - AMORT EXP (DEDUCTIBLE)				\$62,500		(\$24,109)				\$38,391	(\$38,391)
ACQUISITION ADJ. - AMORT EXP (NON-DEDUCTIBLE)				\$1,077,249		\$0				\$1,077,249	(\$1,077,249)
TRANSACTION/TRANSITION COSTS - AMORT EXP (DEDUCTIBLE)				\$237,544		(\$91,633)				\$145,911	(\$145,911)
TRANSACTION COSTS - AMORT EXP (NON-DEDUCTIBLE)				\$203,888		\$0				\$203,888	(\$203,888)
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$1,581,181	\$0	(\$115,742)	\$0	\$0	\$0	\$1,465,439	(\$1,465,439)
PRO FORMA ADJUSTED	\$35,695,034	\$0	\$14,832,123	\$6,074,099	\$4,411,364	#REF!	\$0	\$0	\$0	#REF!	#REF!

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending June 30, 2011
 RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$158,790,610	(\$46,956,891)	\$111,833,719	\$0	\$1,134,898	\$112,968,617	(\$4,591,215)	\$108,377,409
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	\$0 (\$34,679,776)	\$0 \$0	\$0 (\$34,679,776)			\$0 (\$34,679,776)	\$477,329	\$477,329 (\$34,679,776)
ELIM. NON-UTILITY PLANT	(\$1,883,979)	\$623,947	(\$1,260,032)			(\$1,260,032)	\$0	(\$1,260,032)
TOTAL FPSC ADJUSTMENTS	(\$36,563,755)	\$623,947	(\$35,939,808)	\$0	\$0	(\$35,939,808)	\$477,329	(\$35,462,479)
FPSC ADJUSTED	\$122,226,855	(\$46,332,944)	\$75,893,911	\$0	\$1,134,898	\$77,028,809	(\$4,113,885)	\$72,914,924
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$122,226,855	(\$46,332,944)	\$75,893,911	\$0	\$1,134,898	\$77,028,809	(\$4,113,885)	\$72,914,924
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$34,192,473	(\$1,899,581)	\$32,292,892			\$32,292,892		\$32,292,892
TRANSACTION & TRANSITION COSTS							\$1,471,438	\$1,471,438
TOTAL PRO FORMA ADJUSTMENTS	\$34,192,473	(\$1,899,581)	\$32,292,892	\$0	\$0	\$32,292,892	\$1,471,438	\$33,764,330
PRO FORMA ADJUSTED	\$156,419,328	(\$48,232,525)	\$108,186,803	\$0	\$1,134,898	\$109,321,701	(\$2,642,447)	\$106,679,254

FLORIDA PUBLIC UTILITIES COMPANY
 NATURAL GAS
 YEAR END RATE OF RETURN
 For the 12 Months Ending June 30, 2011
 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$60,198,320	\$ 24,348,815	\$14,832,123	\$5,411,565	\$4,528,194	\$3,492,055				\$52,612,752	\$7,585,568
FPSC ADJUSTMENTS:											
1) INTEREST SYNCHRONIZATION						\$151,435				\$151,435	(\$151,435)
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (21,729,369)	\$ (21,627,111)			(\$106,154)	\$1,503				(\$21,731,762)	\$2,399
3) ELIMINATE CONSERVATION	(\$2,727,474)	\$ (2,721,704)			(\$10,676)	\$1,892				(\$2,730,487)	\$3,013
4) NON-UTILITY DEPRECIATION EXPENSE				(\$126,186)		\$46,676				(\$77,510)	\$77,510
5) ELIMINATE AEP REVENUES AND EXPENSES	(\$796,443)			(\$792,461)		(\$1,536)				(\$793,997)	(\$2,446)
6) WEATHER ADJUSTMENT	5750,000					\$289,313				\$289,313	\$460,688
7) INCOME TAX SYNCH ADJUSTMENT						\$13,723				\$13,723	(\$13,723)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
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						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	(\$24,503,286)	(\$24,348,815)	\$0	(\$918,647)	(\$116,830)	\$505,006	\$0	\$0	\$0	(\$24,879,285)	\$379,999
FPSC ADJUSTED	\$35,695,034	\$0	\$14,832,123	\$4,492,918	\$4,411,364	\$3,997,061	\$0	\$0	\$0	\$27,733,467	\$7,961,567
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)						\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$35,695,034	\$0	\$14,832,123	\$4,492,918	\$4,411,364	\$3,997,061	\$0	\$0	\$0	\$27,733,467	\$7,961,567
ACQUISITION ADJ. - AMORT EXP (DEDUCTIBLE)				\$62,500		(\$24,109)				\$38,391	(\$38,391)
ACQUISITION ADJ. - AMORT EXP (NON-DEDUCTIBLE)				\$1,077,249		\$0				\$1,077,249	(\$1,077,249)
TRANSACTION/TRANSITION COSTS - AMORT EXP (DEDUCTIBLE)				\$237,544		(\$91,633)				\$145,911	(\$145,911)
TRANSACTION COSTS - AMORT EXP (NON-DEDUCTIBLE)				\$203,888		\$0				\$203,888	(\$203,888)
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$1,581,181	\$0	(\$115,742)	\$0	\$0	\$0	\$1,465,439	(\$1,465,439)
PRO FORMA ADJUSTED	\$35,695,034	\$0	\$14,832,123	\$6,074,099	\$4,411,364	\$3,881,319	\$0	\$0	\$0	\$29,198,906	\$6,496,128

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$54,244,350	(\$1,260,032)	\$52,984,318	\$14,353,630	(\$34,668,365)	\$32,669,583	45.05%	9.85%	4.44%	10.85%	4.89%	11.85%	5.34%
LONG TERM DEBT	\$23,892,346		\$23,892,346	(\$9,507,774)	50	\$14,389,572	19.84%	7.03%	1.39%	7.03%	1.39%	7.03%	1.39%
SHORT TERM DEBT	\$4,108,400		\$4,108,400	(\$1,634,046)		\$2,474,354	3.41%	1.63%	0.06%	1.63%	0.06%	1.63%	0.06%
STD REFINANCED LTD	\$6,326,266		\$6,326,266	(\$2,516,164)		\$3,810,102	5.25%	5.99%	0.31%	5.99%	0.31%	5.99%	0.31%
CUSTOMER DEPOSITS	\$8,074,995		\$8,074,995			\$8,074,995	11.14%	6.00%	0.67%	6.00%	0.67%	6.00%	0.67%
DEFERRED INCOME TAXES	\$11,028,028		\$11,028,028			\$11,028,028	15.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$68,035		\$68,035			\$68,035	0.09%	6.20%	0.01%	6.65%	0.01%	7.10%	0.01%
TOTAL AVERAGE	\$107,742,419	(\$1,260,032)	\$106,482,387	\$700,646	(\$34,668,365)	\$72,514,668	100.00%		6.88%		7.33%		7.78%

61.24%

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	\$56,266,410	(\$1,260,032)	\$55,006,378	\$12,913,665	(\$34,679,776)	\$33,240,267	45.59%	9.85%	4.49%	10.85%	4.95%	11.85%	5.40%
LONG TERM DEBT	\$29,385,021		\$29,385,021	(\$12,025,357)		\$17,359,664	23.81%	5.83%	1.39%	5.83%	1.39%	5.83%	1.39%
SHORT TERM DEBT	\$1,004,263		\$1,004,263	(\$410,979)		\$593,284	0.81%	11.48%	0.09%	11.48%	0.09%	11.48%	0.09%
STD REFINANCED LTD	50		50			50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$8,656,409		\$8,656,409			\$8,656,409	11.87%	6.00%	0.71%	6.00%	0.71%	6.00%	0.71%
DEFERRED INCOME TAXES	\$13,010,512		\$13,010,512			\$13,010,512	17.84%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$54,788		\$54,788			\$54,788	0.08%	5.97%	0.00%	6.43%	0.00%	6.88%	0.01%
TOTAL YEAR-END	\$108,377,403	(\$1,260,032)	\$107,117,371	\$477,329	(\$34,679,776)	\$72,914,924	100.00%		6.68%		7.14%		7.60%

64.93%