

December 13, 2011

**HAND DELIVERY**

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

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

Dear Mr. Willis:

Enclosed, please find the 3<sup>rd</sup> Quarter Earnings Surveillance reports for Florida Public Utilities Company's Electric and Natural Gas divisions. Two copies of Schedule 1 for both divisions have been enclosed - one being the signed copy and the second being a print from the Excel file in order to obtain a clearer copy. One additional hard copy of each report is also included. In addition, we are including a copy of the Excel files on a CD for ease of reference.

As always, please do not hesitate to give me a call if you have any questions or concerns whatsoever.

Sincerely,



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

MEK

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

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 8,343,949	(\$468,069)	\$7,875,880	(\$1,465,439)	\$6,410,441
AVERAGE RATE BASE	\$108,496,916	(\$21,561,461)	\$86,935,455	\$44,158,626	\$131,094,081
AVERAGE RATE OF RETURN	7.51%		9.07%		4.90%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$8,143,949	(\$490,369)	\$7,653,580	(\$1,465,439)	\$6,188,141
YEAR-END RATE BASE	\$110,668,404	(\$26,413,492)	\$84,254,912	\$31,369,035	\$115,623,947
YEAR-END RATE OF RETURN	7.30%		9.07%		5.35%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	6.76%				
MIDPOINT	7.20%				
HIGH	7.65%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
			A.	INCL COMP RATE ADJ REVENUES	18.88%
			B.	EXCL COMP RATE ADJ REVENUES	17.88%

I am aware that Section 637.06, Florida Statutes, provides:

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

Cheryl M. Martin  
 Director, Regulatory Affairs

*Cheryl M. Martin per CM*  
 Signature

12/12/2011  
 Date

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

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
<b>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 8,143,949	(\$468,069)	\$7,675,880	(\$1,465,439)	\$6,210,441
AVERAGE RATE BASE	\$108,496,916	(\$35,551,451)	\$72,945,465	\$34,159,626	\$107,105,091
AVERAGE RATE OF RETURN	7.51%		10.52%		5.80%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$8,143,949	(\$490,369)	\$7,653,580	(\$1,465,439)	\$6,188,141
YEAR-END RATE BASE	\$110,668,404	(\$36,413,492)	\$74,254,913	\$33,369,035	\$107,623,948
YEAR-END RATE OF RETURN	7.36%		10.31%		5.75%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	6.76%				
MIDPOINT	7.20%				
HIGH	7.65%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
			A.	INCL COMP RATE ADJ REVENUES	18.88%
			B.	EXCL COMP RATE ADJ REVENUES	18.88%

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 September 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	\$156,822,632	(\$46,450,203)	\$110,372,429	\$0	\$2,085,316	\$112,457,745	(\$3,960,829)	\$108,496,916
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL	\$0	\$0	\$0			\$0	\$429,678	\$429,678
ELIMINATE ACQUISITION ADJ.	(\$34,679,776)	\$0	(\$34,679,776)			(\$34,679,776)		(\$34,679,776)
RATE REFUND PENDING - 2009	\$0		\$0			\$0	\$0	\$0
ELIM. NON-UTILITY PLANT	(\$1,916,460)	\$615,107	(\$1,301,353)			(\$1,301,353)		(\$1,301,353)
TOTAL FPSC ADJUSTMENTS	<u>(\$36,596,236)</u>	<u>\$615,107</u>	<u>(\$35,981,129)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$35,981,129)</u>	<u>\$429,678</u>	<u>(\$35,551,451)</u>
FPSC ADJUSTED	\$120,226,396	(\$45,835,096)	\$74,391,300	\$0	\$2,085,316	\$76,476,616	(\$3,531,151)	\$72,945,465
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	<u>\$120,226,396</u>	<u>(\$45,835,096)</u>	<u>\$74,391,300</u>	<u>\$0</u>	<u>\$2,085,316</u>	<u>\$76,476,616</u>	<u>(\$3,531,151)</u>	<u>\$72,945,465</u>
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$34,192,473	(\$1,614,644)	\$32,577,829			\$32,577,829		\$32,577,829
TRANSACTION & TRANSITION COSTS							\$1,581,796	\$1,581,796
TOTAL PRO FORMA ADJUSTMENTS	<u>\$34,192,473</u>	<u>(\$1,614,644)</u>	<u>\$32,577,829</u>	<u>\$0</u>	<u>\$0</u>	<u>\$32,577,829</u>	<u>\$1,581,796</u>	<u>\$34,159,626</u>
PRO FORMA ADJUSTED	<u>\$154,418,869</u>	<u>(\$47,449,740)</u>	<u>\$106,969,130</u>	<u>\$0</u>	<u>\$2,085,316</u>	<u>\$109,054,446</u>	<u>(\$1,949,355)</u>	<u>\$107,105,091</u>



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending September 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	\$160,256,860	(\$47,964,795)	\$112,292,064	\$0	\$1,777,888	\$114,069,952	(\$3,401,548)	\$110,668,404
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	\$0 (\$34,679,776)	\$0 \$0	\$0 (\$34,679,776)			\$0 (\$34,679,776)	(\$517,334)	(\$517,334) (\$34,679,776)
ELIM. NON-UTILITY PLANT	(\$1,923,323)	\$706,942	(\$1,216,382)			(\$1,216,382)	\$0	(\$1,216,382)
			\$0					
TOTAL FPSC ADJUSTMENTS	(\$36,603,099)	\$1,923,323	\$706,942	\$0	\$0	(\$35,896,158)	(\$517,334)	(\$36,413,492)
FPSC ADJUSTED	\$123,653,761	(\$47,964,795)	\$112,292,064	\$0	\$1,777,888	\$78,173,795	(\$3,918,882)	\$74,254,913
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$123,653,761	(\$47,964,795)	\$112,292,064	\$0	\$1,777,888	\$78,173,795	(\$3,918,882)	\$74,254,913
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT TRANSACTION & TRANSITION COSTS	\$34,192,473	(\$2,184,518)	\$32,007,955			\$32,007,955	\$1,361,080	\$32,007,955 \$1,361,080
TOTAL PROFORMA ADJUSTMENTS	\$34,192,473	(\$2,184,518)	\$32,007,955	\$0	\$0	\$32,007,955	\$1,361,080	\$33,369,035
PROFORMA ADJUSTED	\$157,846,234	(\$50,149,313)	\$144,300,019	\$0	\$1,777,888	\$110,181,750	(\$2,557,802)	\$107,623,948



FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 CAPITAL STRUCTURE  
 September 30, 2011  
 FPSC ADJUSTED BASIS

SCHEDULE 4

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	\$54,083,338	(\$1,301,353)	\$52,781,985	\$14,751,938	(\$34,679,776)	\$32,354,147	44.35%	9.85%	4.37%	10.85%	4.83%	11.85%
LONG TERM DEBT	\$24,586,848		\$24,586,848	(\$9,878,316)		\$14,708,532	20.16%	6.95%	1.40%	6.95%	1.40%	6.95%	1.40%
SHORT TERM DEBT	\$5,155,336		\$5,155,336	(\$2,071,271)		\$3,084,065	4.23%	1.42%	0.06%	1.42%	0.06%	1.42%	0.06%
STD REFINANCED LTD	\$4,661,028		\$4,661,028	(\$1,872,672)		\$2,788,356	3.82%	6.38%	0.24%	6.38%	0.24%	6.38%	0.24%
CUSTOMER DEPOSITS	\$8,293,086		\$8,293,086			\$8,293,086	11.37%	6.00%	0.68%	6.00%	0.68%	6.00%	0.68%
DEFERRED INCOME TAXES	\$11,656,027		\$11,656,027			\$11,656,027	15.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$61,253		\$61,253			\$61,253	0.08%	6.07%	0.01%	6.51%	0.01%	6.96%	0.01%
<b>TOTAL AVERAGE</b>	<b>\$108,496,916</b>	<b>(\$1,301,353)</b>	<b>\$107,195,563</b>	<b>\$429,678</b>	<b>(\$34,679,776)</b>	<b>\$72,945,465</b>	<b>100.00%</b>		<b>6.76%</b>		<b>7.20%</b>		<b>7.65%</b>

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$54,338,303	(\$1,216,382)	\$53,121,921	\$13,627,238	(\$34,679,776)	\$32,069,383	43.19%	9.85%	4.25%	10.85%	4.69%	11.85%
LONG TERM DEBT	\$28,431,543		\$28,431,543	(\$11,651,813)		\$16,779,730	32.60%	6.86%	1.55%	6.86%	1.55%	6.86%	1.55%
SHORT TERM DEBT	\$6,082,571		\$6,082,571	(\$2,492,759)		\$3,589,812	4.83%	0.88%	0.04%	0.88%	0.04%	0.88%	0.04%
STD REFINANCED LTD	50		50	50		50	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$8,441,586		\$8,441,586			\$8,441,586	11.37%	6.00%	0.68%	6.00%	0.68%	6.00%	0.68%
DEFERRED INCOME TAXES	\$13,325,869		\$13,325,869			\$13,325,869	17.95%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$48,532		\$48,532			\$48,532	0.07%	5.91%	0.00%	6.31%	0.00%	6.77%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$110,668,404</b>	<b>(\$1,216,382)</b>	<b>\$109,452,022</b>	<b>(\$517,334)</b>	<b>(\$34,679,776)</b>	<b>\$74,254,913</b>	<b>100.00%</b>		<b>6.52%</b>		<b>6.96%</b>		<b>7.39%</b>