



1641 Worthington Road, Ste 220  
West Palm Beach, Florida 33409

November 16, 2015

Mr. Andrew Maurey, Director  
Division of Accounting & Finance  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0950

**Re: Florida Public Utilities Company - Natural Gas Division/Electric Division - Third Quarter  
Surveillance Report.**

Dear Mr. Maurey:

Attached, please find the original and three copies each of the Earnings Surveillance Reports (ESR) for Florida Public Utilities Company's Natural Gas and Electric Divisions for the period ended September 30, 2015.

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

Sincerely,

A handwritten signature in black ink that reads "Curtis D. Young". The signature is written in a cursive style.

Curtis D. Young  
Senior Regulatory Accountant

Enclosure  
Cc: FPU SJ45-69

*Proudly Celebrating 90 Years of Energy Excellence.*

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FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 For the 12 Months Ending September 30, 2015


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	\$ 8,138,568	\$ (143,299)	\$ 7,995,269	\$ 1,176,578	\$ 9,171,847
AVERAGE RATE BASE	\$ 171,532,063	\$ 2,108,184	\$ 173,640,246	\$ (28,022,476)	\$ 145,617,771
AVERAGE RATE OF RETURN	4.74%		4.60%		6.30%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$ 8,138,568	\$ (123,344)	\$ 8,015,224	\$ 1,176,578	\$ 9,191,802
YEAR-END RATE BASE	\$ 192,345,370	\$ 949,956	\$ 193,295,326	\$ (27,448,980)	\$ 165,846,346
YEAR-END RATE OF RETURN	4.23%		4.15%		5.54%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>			<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>		
LOW	6.23%		A.	INCL ACQUISITION ADJUSTMENT	6.36%
MIDPOINT	6.70%		B.	EXCL ACQUISITION ADJUSTMENT	10.52%
HIGH	7.16%				

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.

Michael Cassel  
 Director - Regulatory Affairs

  
 Signature

11/12/15  
 Date

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 RATE OF RETURN REPORT SUMMARY  
 For the 12 Months Ending September 30, 2015

SCHEDULE 1

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Michael Cassel  
 Director - Regulatory Affairs

Signature

Date

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 AVERAGE RATE OF RETURN  
 For the 12 Months Ending September 30, 2015  
 RATE BASE

SCHEDULE 2  
 PAGE 1 OF 2

	(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	\$ 227,724,058	\$ (61,749,589)	\$ 165,974,469	\$ -	\$ 8,757,764	\$ 174,732,233	\$ (3,200,171)	\$ 171,532,063
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 456,566	\$ 456,566
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
	\$ -	\$ -	\$ -			\$ -		\$ -
3) ELIM. NON-UTILITY PLANT	\$ (2,418,487)	\$ 928,718	\$ (1,489,769)			\$ (1,489,769)		\$ (1,489,769)
	\$ -	\$ -	\$ -			\$ -		\$ -
	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS						\$ -	\$ 5,611,069	\$ 5,611,069
TOTAL FPSC ADJUSTMENTS	\$ (4,888,169)	\$ 928,718	\$ (3,959,451)	\$ -	\$ -	\$ (3,959,451)	\$ 6,067,635	\$ 2,108,184
FPSC ADJUSTED	\$ 222,835,889	\$ (60,820,872)	\$ 162,015,018	\$ -	\$ 8,757,764	\$ 170,772,782	\$ 2,867,465	\$ 173,640,246
FLEX RATE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR FLEX RATE REVENUES	\$ 222,835,889	\$ (60,820,872)	\$ 162,015,018	\$ -	\$ 8,757,764	\$ 170,772,782	\$ 2,867,465	\$ 173,640,246
PROFORMA ADJUSTMENTS			\$ -			\$ -		\$ -
			\$ -			\$ -		\$ -
ELIM. ACQUISITION ADJUSTMENT	\$ (33,835,353)	\$ 5,816,499	\$ (28,018,854)			\$ (28,018,854)		\$ (28,018,854)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS							\$ (3,622)	\$ (3,622)
TOTAL PRO FORMA ADJUSTMENTS	\$ (33,835,353)	\$ 5,816,499	\$ (28,018,854)	\$ -	\$ -	\$ (28,018,854)	\$ (3,622)	\$ (28,022,476)
PRO FORMA ADJUSTED	\$ 189,000,536	\$ (55,004,373)	\$ 133,996,164	\$ -	\$ 8,757,764	\$ 142,753,928	\$ 2,863,843	\$ 145,617,771



	(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	\$ 246,056,824	\$ (63,962,249)	\$ 182,094,574	\$ -	\$ 12,782,571	\$ 194,877,145	\$ (2,531,775)	\$ 192,345,370
FPSC ADJUSTMENTS:								
1) ELIMINATIONS TO NON-UTILITY MATERIALS	\$ -	\$ -	\$ -			\$ -	\$ 275,488	\$ 275,488
2) ELIMINATE GOODWILL	\$ (2,469,682)	\$ -	\$ (2,469,682)			\$ (2,469,682)		\$ (2,469,682)
3) ELIM. NON-UTILITY PLANT	\$ (2,579,488)	\$ 988,574	\$ (1,590,914)			\$ (1,590,914)		\$ (1,590,914)
4) ELIM. UNDER-RECOVERIES	\$ -	\$ -	\$ -			\$ -	\$ (876,005)	\$ (876,005)
4) ELIMINATE DEFERRED ENVIRONMENTAL COSTS	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (5,049,170)	\$ 988,574	\$ (4,060,596)	\$ -	\$ -	\$ (4,060,596)	\$ 5,010,552	\$ 949,956
FPSC ADJUSTED	\$ 241,007,653	\$ (62,973,675)	\$ 178,033,978	\$ -	\$ 12,782,571	\$ 190,816,549	\$ 2,478,777	\$ 193,295,326
COMP RATE ADJ REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADJUSTED FOR COMP RATE ADJ REVENUE PROFORMA ADJUSTMENTS	\$ 241,007,653	\$ (62,973,675)	\$ 178,033,978	\$ -	\$ 12,782,571	\$ 190,816,549	\$ 2,478,777	\$ 193,295,326
ELIM. ACQUISITION ADJUSTMENT	\$ (34,160,325)	\$ 6,711,345	\$ (27,448,980)			\$ (27,448,980)		\$ (27,448,980)
ELIM. REG ASSET-TRNSCTN & TRNSITN CSTS	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ (34,160,325)	\$ 6,711,345	\$ (27,448,980)	\$ -	\$ -	\$ (27,448,980)	\$ -	\$ (27,448,980)
PRO FORMA ADJUSTED	\$ 206,847,328	\$ (56,262,330)	\$ 150,584,998	\$ -	\$ 12,782,571	\$ 163,367,569	\$ 2,478,777	\$ 165,846,346

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS  
 YEAR END RATE OF RETURN  
 For the 12 Months Ending September 30, 2015  
 INCOME STATEMENT

SCHEDULE 3  
 PAGE 2 OF 2

	(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	71,601,190	22,781,241	23,076,443	7,550,032	6,266,378	3,788,528				63,462,622	8,138,568
FPSC ADJUSTMENTS:											
1) INCOME TAX SYNC AND INTEREST ADJ.						188,093				188,093	(188,093)
2) ELIMINATE FUEL REVENUES AND EXPENSES	(19,142,737)	(19,053,531)			(90,576)	528				(19,143,579)	841
3) ELIMINATE CONSERVATION	(3,745,881)	(3,727,710)			(18,747)	222				(3,746,235)	354
4)NON-UTILITY DEPRECIATION EXPENSE				(103,535)		39,939				(63,596)	63,596
5) ELIMINATE AEP REVENUES AND EXPENSES	(13,978)			(13,908)		(27)				(13,935)	(43)
TOTAL FPSC ADJUSTMENTS	<u>(22,902,597)</u>	<u>(22,781,241)</u>	<u>-</u>	<u>(117,443)</u>	<u>(109,324)</u>	<u>228,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,779,252)</u>	<u>(123,344)</u>
FPSC ADJUSTED	<u>48,698,593</u>	<u>0</u>	<u>23,076,443</u>	<u>7,432,589</u>	<u>6,157,054</u>	<u>4,017,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,683,370</u>	<u>8,015,224</u>
FLEX RATE REVENUES - DEFICIT/(SURPLUS)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ADJUSTED FOR FLEX RATE REVENUES	<u>48,698,593</u>	<u>0</u>	<u>23,076,443</u>	<u>7,432,589</u>	<u>6,157,054</u>	<u>4,017,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,683,370</u>	<u>8,015,224</u>
ELIMINATE ACQUISITION AMORTIZATION				(1,789,692)		649,944				(1,139,748)	1,139,748
ELIMINATE TRANSACT./TRANSIT. AMORTIZATION				(47,081)		10,251				(36,830)	36,830
TOTAL PRO FORMA ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,836,773)</u>	<u>-</u>	<u>660,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,176,578)</u>	<u>1,176,578</u>
PRO FORMA ADJUSTED	<u>48,698,593</u>	<u>0</u>	<u>23,076,443</u>	<u>5,595,816</u>	<u>6,157,054</u>	<u>4,677,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,506,792</u>	<u>9,191,802</u>

AVERAGE	ADJUSTMENTS						RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 80,760,627		\$ 80,760,627	\$ 2,612,974	\$ (2,469,682)		\$ 80,903,919	46.59%	9.85%	4.59%	10.85%	5.06%
LONG TERM DEBT - CU	\$ 33,859,416		\$ 33,859,416	\$ 1,095,506		\$ 34,954,921	20.13%	5.00%	1.01%	5.00%	1.01%	5.00%	1.01%
SHORT TERM DEBT	\$ 21,829,230		\$ 21,829,230	\$ 706,275		\$ 22,535,505	12.98%	1.16%	0.15%	1.16%	0.15%	1.16%	0.15%
LONG TERM DEBT - FC	\$ 5,041,337		\$ 5,041,337	\$ 163,110		\$ 5,204,447	3.00%	12.74%	0.38%	12.74%	0.38%	12.74%	0.38%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,623,232		\$ 7,623,232			\$ 7,623,232	4.39%	2.37%	0.10%	2.37%	0.10%	2.37%	0.10%
DEFERRED INCOME TAXES	\$ 22,417,340		\$ 22,417,340			\$ 22,417,340	12.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ 882		\$ 882			\$ 882	0.00%	6.13%	0.00%	6.60%	0.00%	7.06%	0.00%
TOTAL AVERAGE	\$ 171,532,063	\$ -	\$ 171,532,063	\$ 4,577,864	\$ (2,469,682)	\$ 173,640,246	100.00%		6.23%		6.70%		7.16%

YEAR-END	ADJUSTMENTS						RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE		COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 89,776,984		\$ 89,776,984	\$ 1,905,344	\$ (2,469,682)		\$ 89,212,646	46.15%	9.85%	4.55%	10.85%	5.01%
LONG TERM DEBT - CU	\$ 34,235,156		\$ 34,235,156	\$ 726,577		\$ 34,961,732	18.09%	5.07%	0.92%	5.07%	0.92%	5.07%	0.92%
SHORT TERM DEBT	\$ 31,801,809		\$ 31,801,809	\$ 674,932		\$ 32,476,741	16.80%	0.82%	0.14%	0.82%	0.14%	0.82%	0.14%
LONG TERM DEBT - FC	\$ 5,314,301		\$ 5,314,301	\$ 112,786		\$ 5,427,087	2.81%	12.63%	0.35%	12.63%	0.35%	12.63%	0.35%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,636,966		\$ 7,636,966			\$ 7,636,966	3.95%	2.36%	0.09%	2.36%	0.09%	2.36%	0.09%
DEFERRED INCOME TAXES	\$ 23,580,153		\$ 23,580,153			\$ 23,580,153	12.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ -		\$ -			\$ -	0.00%	5.96%	0.00%	6.42%	0.00%	6.88%	0.00%
TOTAL YEAR-END	\$ 192,345,370	\$ -	\$ 192,345,370	\$ 3,419,639	\$ (2,469,682)	\$ 193,295,326	100.00%		6.05%		6.51%		6.97%



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	\$ 80,760,627		\$ 80,760,627	\$ (13,381,817)	\$ (2,469,682)	\$ 64,909,128	44.58%	9.85%	4.39%	10.85%	4.84%	11.85%	5.28%
LONG TERM DEBT - CU	\$ 33,859,416		\$ 33,859,416	\$ (5,610,414)		\$ 28,249,002	19.40%	5.00%	0.97%	5.00%	0.97%	5.00%	0.97%
SHORT TERM DEBT	\$ 21,829,230		\$ 21,829,230	\$ (3,617,044)		\$ 18,212,186	12.51%	1.16%	0.15%	1.16%	0.15%	1.16%	0.15%
LONG TERM DEBT - FC	\$ 5,041,337		\$ 5,041,337	\$ (835,336)		\$ 4,206,001	2.89%	12.74%	0.37%	12.74%	0.37%	12.74%	0.37%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,623,232		\$ 7,623,232			\$ 7,623,232	5.24%	2.37%	0.12%	2.37%	0.12%	2.37%	0.12%
DEFERRED INCOME TAXES	\$ 22,417,340		\$ 22,417,340			\$ 22,417,340	15.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ 882		\$ 882			\$ 882	0.00%	5.88%	0.00%	6.33%	0.00%	6.77%	0.00%
<b>TOTAL AVERAGE</b>	<b>\$ 171,532,063</b>	<b>\$ -</b>	<b>\$ 171,532,063</b>	<b>\$ (23,444,611)</b>	<b>\$ (2,469,682)</b>	<b>\$ 145,617,771</b>	<b>100.00%</b>		<b>6.00%</b>		<b>6.45%</b>		<b>6.89%</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	\$ 89,776,985		\$ 89,776,985	\$ (13,388,601)	\$ (2,469,682)	\$ 73,918,702	44.57%	9.85%	4.39%	10.85%	4.84%	11.85%	5.28%
LONG TERM DEBT - CU	\$ 34,235,156		\$ 34,235,156	\$ (5,105,549)		\$ 29,129,607	17.56%	5.07%	0.89%	5.07%	0.89%	5.07%	0.89%
SHORT TERM DEBT	\$ 31,801,809		\$ 31,801,809	\$ (4,742,661)		\$ 27,059,148	16.32%	0.82%	0.13%	0.82%	0.13%	0.82%	0.13%
LONG TERM DEBT - FC	\$ 5,314,301		\$ 5,314,301	\$ (792,532)		\$ 4,521,769	2.73%	12.63%	0.34%	12.63%	0.34%	12.63%	0.34%
SHORT TERM DEBT - REFINANCED LTD	\$ -		\$ -	\$ -		\$ -	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 7,636,966		\$ 7,636,966			\$ 7,636,966	4.61%	2.36%	0.11%	2.36%	0.11%	2.36%	0.11%
DEFERRED INCOME TAXES	\$ 23,580,152		\$ 23,580,152			\$ 23,580,152	14.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$ 0		\$ 0			\$ 0	0.00%	5.75%	0.00%	6.20%	0.00%	6.64%	0.00%
<b>TOTAL YEAR-END</b>	<b>\$ 192,345,370</b>	<b>\$ -</b>	<b>\$ 192,345,370</b>	<b>\$ (24,029,343)</b>	<b>\$ (2,469,682)</b>	<b>\$ 165,846,346</b>	<b>100.00%</b>		<b>5.86%</b>		<b>6.31%</b>		<b>6.75%</b>