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MARCH 29, 2013

**HAND DELIVERY**

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

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
13 MAR 29 PM 3:57  
DIVISION OF  
ACCOUNTING & FINANCE

Re: Florida Public Utilities Company/Indiantown Division – Florida Division of Chesapeake Utilities Corporation – December 2012 Earnings Surveillance Reports

Dear Mr. Willis:

Enclosed, please find the Earnings Surveillance Report (ESR) for Florida Public Utilities Company's Indiantown Division and the Florida Division of Chesapeake Utilities Corporation for the period ended December 31, 2012. One additional hard copy of each report is also included.

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

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 RATE OF RETURN REPORT SUMMARY  
 December 31, 2012

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	\$ 3,418,585	(\$271,448)	\$3,147,136	\$0	\$3,147,136
AVERAGE RATE BASE	\$44,850,543	(\$708,825)	\$44,141,718	\$0	\$44,141,718
AVERAGE RATE OF RETURN	7.62%		7.13%		7.13%
<b>II. YEAR-END RATE OF RETURN (JURISDICTIONAL)</b>					
NET OPERATING INCOME	\$3,418,585	(\$287,228)	\$3,131,357	\$0	\$3,131,357
YEAR-END RATE BASE	\$44,226,818	(\$481,581)	\$43,745,237	\$0	\$43,745,237
YEAR-END RATE OF RETURN	7.73%		7.16%		7.16%
<b>III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)</b>					
LOW	6.31%				
MIDPOINT	6.81%				
HIGH	7.30%				
<b>IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)</b>					
A.	INCL COMP RATE ADJ REVEN	11.48%			
B.	EXCL COMP RATE ADJ REVEN	11.48%			

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 Martin  
 Director, Regulatory Affairs

*Cheryl Martin*  
 Signature

3/28/13  
 Date

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending December 31, 2012  
 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	\$66,961,460	(\$24,456,241)	\$42,505,219	\$0	\$569,203	\$43,074,423	\$1,776,120	\$44,850,543
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							(\$346,396)	(\$346,396)
ELIMINATE ACQUISITION ADJ.	\$0	\$0	\$0			\$0		\$0
ELIM. FRANCHISE/CONSENT		(\$10,655)	(\$10,655)			(\$10,655)		(\$10,655)
ELIM. COMMON PLANT	(\$292,061)	\$127,483	(\$164,579)			(\$164,579)		(\$164,579)
FLEXIBLE GAS SERVICE	(\$259,136)	\$80,946	(\$178,191)			(\$178,191)	(\$9,004)	(\$187,195)
TOTAL FPSC ADJUSTMENTS	<u>(\$551,196)</u>	<u>\$197,773</u>	<u>(\$353,424)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$353,424)</u>	<u>(\$355,400)</u>	<u>(\$708,825)</u>
FPSC ADJUSTED	\$66,410,263	(\$24,258,468)	\$42,151,795	\$0	\$569,203	\$42,720,998	\$1,420,720	\$44,141,718
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	<u>\$66,410,263</u>	<u>(\$24,258,468)</u>	<u>\$42,151,795</u>	<u>\$0</u>	<u>\$569,203</u>	<u>\$42,720,998</u>	<u>\$1,420,720</u>	<u>\$44,141,718</u>
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	<u>\$66,410,263</u>	<u>(\$24,258,468)</u>	<u>\$42,151,795</u>	<u>\$0</u>	<u>\$569,203</u>	<u>\$42,720,998</u>	<u>\$1,420,720</u>	<u>\$44,141,718</u>

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**AVERAGE RATE OF RETURN**  
 For the 12 Months Ending December 31, 2012  
 INCOME STATEMENT

SCHEDULE 2  
 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	\$15,687,787	\$ 1,225,064	\$6,197,866	\$2,410,589	\$890,010	\$1,545,673				\$12,269,202	\$3,418,585
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$115,577				\$115,577	(\$115,577)
2) Acquisition adjust.						\$0				\$0	\$0
3) Out of Period Adjustments			\$175,200			(\$67,583)				\$107,617	(\$107,617)
4) Elim. Property Tax - Common Plant					(\$3,637)	\$1,403				(\$2,234)	\$2,234
5) Elim. amort org costs				(\$424)		\$164				(\$260)	\$260
6) Elim Economic Dev. Expense			\$0			\$0				\$0	\$0
7) Elim. Depreciation Exp. Common Plant				(\$21,356)		\$8,238				(\$13,118)	\$13,118
8) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
9) Elim. Ind. Assoc dues						\$0				\$0	\$0
10) Elim charitable contributions			\$0			\$0				\$0	\$0
11) Elim. Social Activities			(\$2,445)			\$943				(\$1,502)	\$1,502
12) Elim. promotional expenses			\$0			\$0				\$0	\$0
13) Elim. Civic Dues			\$0			\$0				\$0	\$0
14) Interest Income	(\$454)					(\$175)				\$175	(\$279)
15) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$403,469)	(\$403,469)				\$0				(\$403,469)	\$0
16) Elim. Conservancy Rev & Exp.	(\$825,727)	(\$821,594)			(\$4,133)	\$0				(\$825,727)	\$0
17) Elim. PGA Expenses		\$0				\$0				\$0	\$0
18) Elim. PGA Revenues	\$0					\$0				\$0	\$0
19) Elim. Flexible Gas Service	(\$169,650)		(\$48,949)	(\$10,946)	(\$3,788)	(\$40,877)				(\$104,560)	(\$65,090)
TOTAL FPSC ADJUSTMENTS	<u>(\$1,399,300)</u>	<u>(\$1,225,063)</u>	<u>\$123,806</u>	<u>(\$32,725)</u>	<u>(\$11,558)</u>	<u>\$17,689</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,127,852)</u>	<u>(\$271,448)</u>
FPSC ADJUSTED	<u>\$14,288,487</u>	<u>\$1</u>	<u>\$6,321,672</u>	<u>\$2,377,864</u>	<u>\$878,452</u>	<u>\$1,563,362</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,141,351</u>	<u>\$3,147,136</u>
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	<u>\$0</u>					<u>\$0</u>				<u>\$0</u>	<u>\$0</u>
ADJUSTED FOR COMP RATE ADJ REVENUES	<u>\$14,288,487</u>	<u>\$1</u>	<u>\$6,321,672</u>	<u>\$2,377,864</u>	<u>\$878,452</u>	<u>\$1,563,362</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,141,351</u>	<u>\$3,147,136</u>
PROFORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
PRO FORMA ADJUSTED	<u>\$14,288,487</u>	<u>\$1</u>	<u>\$6,321,672</u>	<u>\$2,377,864</u>	<u>\$878,452</u>	<u>\$1,563,362</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,141,351</u>	<u>\$3,147,136</u>

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**YEAR END RATE OF RETURN**  
 For the 12 Months Ending December 31, 2012  
 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	\$66,787,475	(\$24,287,913)	\$42,499,563	\$0	\$569,203	\$43,068,766	\$1,158,052	\$44,226,818
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							(\$80,461)	(\$80,461)
ELIMINATE ACQUISITION ADJ.								
ELIM. FRANCHISE/CONSENT		(\$10,867)	(\$10,867)			(\$10,867)		(\$10,867)
ELIM. COMMON PLANT	(\$300,299)	\$138,498	(\$161,801)			(\$161,801)		(\$161,801)
FLEXIBLE GAS SERVICE	(\$259,136)	\$39,689	(\$219,447)			(\$219,447)	(\$9,004)	(\$228,451)
TOTAL FPSC ADJUSTMENTS	(\$559,435)	\$167,320	(\$392,115)	\$0	\$0	(\$392,115)	(\$89,465)	(\$481,581)
FPSC ADJUSTED	\$66,228,040	(\$24,120,592)	\$42,107,447	\$0	\$569,203	\$42,676,651	\$1,068,587	\$43,745,237
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$66,228,040	(\$24,120,592)	\$42,107,447	\$0	\$569,203	\$42,676,651	\$1,068,587	\$43,745,237
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$66,228,040	(\$24,120,592)	\$42,107,447	\$0	\$569,203	\$42,676,651	\$1,068,587	\$43,745,237

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
**YEAR END RATE OF RETURN**  
 For the 12 Months Ending December 31, 2012  
**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	\$15,687,787	\$ 1,225,064	\$6,197,866	\$2,410,589	\$890,010	\$1,545,673				\$12,269,202	\$3,418,585
FPSC ADJUSTMENTS:											
1) Interest Synchronization						\$131,356				\$131,356	(\$131,356)
2) Acquisition adjust.						\$0				\$0	\$0
3) Out of Period Adjustments			\$175,200			(\$67,583)				\$107,617	(\$107,617)
4) Elim. Property Tax - Common Plant					(\$3,637)	\$1,403				(\$2,234)	\$2,234
5) Elim. amort org costs				(\$424)		\$164				(\$260)	\$260
6) Elim Economic Dev. Expense			\$0			\$0				\$0	\$0
7) Elim. Depreciation Exp. Common Plant			\$0	(\$21,356)		\$8,238				(\$13,118)	\$13,118
8) Elim. Non-utility O & M			\$0			\$0				\$0	\$0
9) Elim. Ind. Assoc dues			\$0			\$0				\$0	\$0
10) Elim charitable contributions			\$0			\$0				\$0	\$0
11) Elim. Social Activities			(\$2,445)			\$943				(\$1,502)	\$1,502
12) Elim. promotional expenses			\$0			\$0				\$0	\$0
13) Elim. Civic Dues			\$0			\$0				\$0	\$0
14) Interest Income	(\$454)					(\$175)				(\$175)	(\$279)
15) Elim. Rev Related Taxes (Franchise & PSC Assess)	(\$403,469)	(\$403,469)				\$0				(\$403,469)	\$0
16) Elim. Conservation Rev & Exp.	(\$825,727)	(\$821,594)			(\$4,133)	\$0				(\$825,727)	\$0
17) Elim. PGA Expenses		\$0				\$0				\$0	\$0
18) Elim. PGA Revenues	\$0					\$0				\$0	\$0
19) Elim. Flexible Gas Service	(\$169,650)		(\$48,949)	(\$10,946)	(\$3,788)	(\$40,877)				(\$104,560)	(\$65,090)
TOTAL FPSC ADJUSTMENTS	(\$1,399,300)	(\$1,225,063)	\$123,806	(\$32,725)	(\$11,558)	\$33,468	\$0	\$0	\$0	(\$1,112,072)	(\$287,228)
FPSC ADJUSTED	\$14,288,487	\$1	\$6,321,672	\$2,377,864	\$878,452	\$1,579,141	\$0	\$0	\$0	\$11,157,130	\$3,131,357
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$14,288,487	\$1	\$6,321,672	\$2,377,864	\$878,452	\$1,579,141	\$0	\$0	\$0	\$11,157,130	\$3,131,357
PROFORM ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$14,288,487	\$1	\$6,321,672	\$2,377,864	\$878,452	\$1,579,141	\$0	\$0	\$0	\$11,157,130	\$3,131,357

CHESAPEAKE UTILITIES CORPORATION  
 FLORIDA DIVISION  
 CAPITAL STRUCTURE  
 December 31, 2012  
 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	\$22,140,636	\$0	\$22,140,636	\$0	(\$455,361)	\$21,685,275	49.13%	9.80%	4.81%	10.80%	5.31%	11.80%
LONG TERM DEBT	\$9,375,674	\$0	\$9,375,674	\$0	(\$192,828)	\$9,182,846	20.80%	6.09%	1.27%	6.09%	1.27%	6.09%	1.27%
SHORT TERM DEBT	\$2,948,184	\$0	\$2,948,184	\$0	(\$60,635)	\$2,887,549	6.54%	1.37%	0.09%	1.37%	0.09%	1.37%	0.09%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	6.33%	0.00%	6.33%	0.00%	1.37%	0.00%
CUSTOMER DEPOSITS	\$953,561	\$0	\$953,561	\$0	\$0	\$953,561	2.16%	6.00%	0.13%	6.00%	0.13%	6.00%	0.13%
DEFERRED INCOME TAXES	\$9,348,533	\$0	\$9,348,533	\$0	\$0	\$9,348,533	21.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$83,955	\$0	\$83,955	\$0	\$0	\$83,955	0.19%	6.17%	0.01%	6.67%	0.01%	7.16%	0.01%
<b>TOTAL AVERAGE</b>	<b>\$44,850,542</b>	<b>\$0</b>	<b>\$44,850,542</b>	<b>\$0</b>	<b>(\$708,824)</b>	<b>\$44,141,718</b>	<b>100.00%</b>		<b>6.31%</b>		<b>6.81%</b>		<b>7.30%</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	\$20,042,097	\$0	\$20,042,097	\$0	(\$286,584)	\$19,755,513	45.16%	9.80%	4.43%	10.80%	4.88%	11.80%
LONG TERM DEBT	\$8,239,974	\$0	\$8,239,974	\$0	(\$117,825)	\$8,122,149	18.57%	6.45%	1.20%	6.45%	1.20%	6.45%	1.20%
SHORT TERM DEBT	\$5,396,938	\$0	\$5,396,938	\$0	(\$77,172)	\$5,319,766	12.16%	0.69%	0.08%	0.69%	0.08%	0.69%	0.08%
SHORT TERM DEBT REFINANCED LTD	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$947,401	\$0	\$947,401	\$0	\$0	\$947,401	2.17%	6.00%	0.13%	6.00%	0.13%	6.00%	0.13%
DEFERRED INCOME TAXES	\$9,526,215	\$0	\$9,526,215	\$0	\$0	\$9,526,215	21.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$74,193	\$0	\$74,193	\$0	\$0	\$74,193	0.17%	5.71%	0.01%	6.16%	0.01%	6.61%	0.01%
<b>TOTAL YEAR-END</b>	<b>\$44,226,818</b>	<b>\$0</b>	<b>\$44,226,818</b>	<b>\$0</b>	<b>(\$481,581)</b>	<b>\$43,745,237</b>	<b>100.00%</b>		<b>5.85%</b>		<b>6.30%</b>		<b>6.75%</b>