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December 11, 2012

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COMMISSION CLERK

HAND DELIVERY

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Docket 120311-GU

Re: Petition for Approval of a Positive Acquisition Adjustment by Florida Public Utilities Company to Reflect the Acquisition of Indiantown Gas Company

Dear Ms. Cole:

Enclosed is Florida Public Utilities Company's Petition for Approval to Record a Positive Acquisition Adjustment, submitted by hand delivery in the above-referenced matter.

If you have any questions, please call me at 850-521-1980.

Sincerely,

Lila A. Jaber

Enclosures

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of a Positive Acquisition) Adjustment by Florida Public Utilities Company to) Reflect the Acquisition of Indiantown Gas) Company)	Docket No. 120311-GU

PETITION FOR APPROVAL
TO RECORD A POSITIVE ACQUISITION ADJUSTMENT

Florida Public Utilities Company ("FPUC" or Company), by and through undersigned counsel, hereby seeks approval, pursuant to Section 366.076, Florida Statutes, of the appropriate accounting recognition of a positive acquisition adjustment to reflect the purchase by FPUC of Indiantown Gas Company ("Indiantown," "IGC" n/k/a "FPUC-Indiantown Division") and to place the positive acquisition adjustment on the books of FPUC-Indiantown, recorded "above-the-line." At this time, the Company is not requesting approval of any rate adjustment.

In support of this Petition, the Company hereby states:

1. Notices and communications with respect to this petition and docket should be addressed to:

Beth Keating Gunster, Yoakley & Stewart, P.A. 215 S. Monroe Street, Suite 601 Tallahassee, FL 32301-1804	Cheryl Martin Director, Regulatory Affairs 1641 Worthington Road, Suite 220 West Palm Beach, FL 33409

2. FPUC is an investor-owned natural gas utility providing retail natural gas service to customers in Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, it is subject to economic regulation by the Commission. FPUC also has an electric division that likewise is subject to Commission regulation under Chapter 366. FPUC serves approximately 54,000 natural gas distribution customers and 31,000 electric distribution customers in various parts of Florida. FPUC's unregulated propane distribution business operates in various parts of Florida through its wholly-owned subsidiary, Flo-Gas. FPUC is a Florida corporation, with its

principal offices are located at1641 Worthington Road, Suite 220, West Palm Beach, Florida 33409. It is a subsidiary of Chesapeake Utilities Corporation ("CUC"), a Delaware Corporation traded on the New York Stock Exchange (CPK) with an investment grade bond rating of Category 1, as rated by the NAIC. CUC's corporate headquarters are located at 909 Silver Lake Boulevard, Dover, Delaware 19904.

3. On August 6, 2010, FPUC acquired Indiantown Gas Company ("Indiantown") and with it, approximately 700 additional customers. FPUC now asks that the Commission: (1) allow FPUC to record the $745,800 purchase price premium associated with the acquisition of Indiantown as a positive acquisition adjustment in Account 114 – Gas Plant Acquisition Adjustment on the books of FPUC-Indiantown Division; (2) authorize the Company to amortize the positive acquisition adjustment over fifteen (15) years, beginning August 1, 2010, using the straight line amortization method and that this amortization expense be recorded in Account 406 – Amortization of Gas Plant Acquisition Adjustments; and (3) find that earnings are within the allowable rate of return range as of December 31, 2011.

4. The Company's filing made today provides the documentation and justifications consistent with the Commission's historical five-part test for acquisition adjustments, as more fully outlined herein. The proposed acquisition adjustment meets the Commission's standard, as set forth in the Direct Testimonies and Exhibits of Mr. Matthew Kim, Ms. Cheryl Martin, and Ms. Mariana Perea, which are submitted on behalf of the Company with this filing.

Petition

5. Having successfully acquired Indiantown in 2010, the Company now respectfully asks that the Commission allow the Company to record the $745,800 purchase price premium associated with the subsequent successful purchase of Indiantown Gas on the books of FPUC-

Indiantown Division as a positive acquisition adjustment in Account 114 – Gas Plant Acquisition Adjustment. The Company further seeks approval to amortize the recorded amount over a 15-year period beginning August 1, 2010, under a straight line amortization schedule, reflecting the approximate date the corporate transaction between FPUC and Indiantown was consummated. In addition, the Company seeks permission to record the amortization expense in Account 406 – Amortization of Gas Plant Acquisition Adjustments. The Company is not, however, requesting approval to recover any transaction or transition costs attributable to the acquisition of IGC's natural gas business.

6. Consistent with the standard of review applied by the Commission to such requests, the Company will demonstrate that the requested accounting recognition is appropriate because these transactions have resulted in: (1) substantial benefits for existing customers of the acquired companies in the area of improved quality of service; (2) lower operating costs; (3) increased ability to attract capital for improvements; (4) a lower overall cost of capital; and (5) more professional and experienced managerial, financial, technical and operational resources.[1] The testimonies and exhibits of Ms. Cheryl Martin and Ms. Mariana Perea, which are attached hereto, reflect that the Company and its customers have received significant benefits as a result of the acquisition and that these benefits are consistent with those upon which the Commission has based its approvals of prior cases addressing requests for accounting recognition of acquisition adjustments. The Direct Testimony of Mr. Matthew Kim provides additional explanation and

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[1] *See* Order No. 23858, issued in Docket No. 891353-GU – Application of Peoples Gas Systems, Inc. for a Rate Increase; Order No. PSC-04-1110-PAA-GU, issued in Docket No. 040216-GU – Application for a Rate Increase by Florida Public Utilities Company; and Order No. 07-0913-PAA-GU, issued in Docket No. 060657-GU - Petition for approval of acquisition adjustment and recognition of regulatory asset to reflect purchase of Florida City Gas by AGL Resources, Inc.. *See also*, Order No. 18716, issued in Docket No. 870118 – GU - In re: Petition of Central Florida Gas Company to increase its rates and charges and related Order No. 23166, issued in Docket No. 891179-GU - In re: Petition of Central Florida Gas Co. and Plant City Natural Gas Co., divisions of Chesapeake Utilities, Corp., for rate increase, approving and then disallowing upon subsequent review, respectively, an acquisition adjustment.

justification for the calculation of the purchase price, the positive acquisition adjustment, and the requested amortization treatment.

7. As more fully explained in the Testimonies attached, the Company has already experienced significant, permanent savings across the new FPUC – Indiantown Division. In total, the Testimony of Ms. Cheryl Martin will reflect that the Company has achieved overall operating savings of $187,792, all of which inure to the benefit of customers.

8. In further support of this request, the acquisition has resulted in a reduction in the cost of capital for the Indiantown Division of .24%, which amounts to an overall reduction in the Division's annual revenue requirement of $2,215 when applied to the 13-month average rate base for the Division. Moreover, as further reflected in Ms. Martin's testimony, the actual operating cost savings of $187,792 exceed the total revenue requirements of $138,631 associated with recognition of the Positive Acquisition Adjustment.

9. In addition, if the positive acquisition is recorded as requested, the FPUC-Indiantown Division achieved Average Rate of Return ("ROR") on the December 31, 2011 Earnings Surveillance Report ("ESR") is 9.14%, which is below the authorized high point ROR of 9.24%. The Company also anticipates the FPUC-Indiantown Division achieved Average Rate of Return ("ROR") on the December 31, 2012 Earnings Surveillance Report ("ESR") with the positive acquisition adjustment, will be below the high point authorized rate of return.

10. The Commission has jurisdiction to address the Company's request under Sections 366.06 and 366.076, Florida Statutes. The testimony and exhibits appended hereto are submitted in general conformance with the requirements of Rule 25-7.039, Florida Administrative Code, even though the Company is not seeking a rate increase.

11. Similarly, the Company respectfully requests that this matter be addressed consistent with the Proposed Agency Action process, as contemplated by Section 366.06(4), Florida Statutes. Should, however, this matter be set for hearing at any point, the Company reserves the right to provide additional testimony and exhibits, as may be necessary. Consistent with Rule 28-106.301(h), Florida Administrative Code, the Company states that it is unaware of any material facts that are in dispute at this time.

Based on the foregoing, the Company respectfully requests that the Commission:

A. authorize the Company to reflect an acquisition adjustment of $745,800 on the books of FPUC Consolidated Natural Gas to be amortized over a 15-year period using a straight line amortization schedule;

C. find that no overearnings exist for FPUC-Indiantown;

E. conduct this proceeding in accordance with the Commission's Proposed Agency Action procedures.

RESPECTFULLY SUBMITTED this 11th day of December, 2012.

Beth Keating
Lila A. Jaber
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706
Attorneys for Florida Public Utilities Company and Florida Public Utilities Company-Indiantown Division

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing has been served upon the following by U.S. Mail this 11th day of December, 2012:

J.R. Kelly Office of the Public Counsel c/o The Florida Legislature 111 West Madison Street, Rm. 812 Tallahassee, FL 32399-1400	Mr. Marshall Willis Director, Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850
	Ms. Cheryl Bulecza-Banks Assistant Director, Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF MATTHEW KIM

Q. **PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

A. My name is Matthew Kim. I serve as Vice President and Corporate Controller of Chesapeake Utilities Corporation ("Chesapeake"), which is the parent company of Florida Public Utilities Company ("FPUC"). My business address is 909 Silver Lake Boulevard, Dover, Delaware.

Q. **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I graduated with a Bachelor of Science in Business Administration degree, with a major in Accounting, Magna Cum Laude, from Georgetown University in Washington, DC in 1998. I am a Certified Public Accountant, licensed in the District of Columbia. I have 15 years of professional accounting experience. I joined Chesapeake in 2009 as Corporate Controller and was appointed as Assistant Vice President and Vice President by Chesapeake's Board of Directors in 2010 and 2012, respectively. Prior to joining Chesapeake, I was Vice President and Assistant Controller at The Carlyle Group, a global private equity firm, from 2005 to 2009. I also held various audit positions with public accounting firms for over seven years, from Staff Auditor to Senior Manager. Prior to leaving public accounting, I was a Senior

Manager with PricewaterhouseCoopers LLC.

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

A. As Vice President and Corporate Controller, I am responsible for the accounting, financial reporting and tax compliance functions within Chesapeake and all of its subsidiaries, which includes daily oversight, management, compliance and policy functions. I am also involved in the financial planning and budgeting functions within Chesapeake.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes. In 2011, I provided testimony before the Florida Public Service Commission (the "Commission") in Docket Number 110133-GU, which was FPUC's petition for approval of acquisition adjustment related to Chesapeake's acquisition of FPUC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the acquisition by FPUC of the natural gas assets of Indiantown Gas Company ("IGC" or "Indiantown") and support the calculation of and the request for recovery of the positive acquisition adjustment resulting from the transaction.

Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. I am sponsoring the following Exhibits to my testimony:

- Exhibit___(MK-1) – Calculation of Natural Gas Premium;
- Exhibit__(MK-2) – Fair Value Calculation of Purchased Assets; and

- Exhibit___(MK-3) – Proposed Amortization Schedule of the Natural Gas Premium.

Q. PLEASE DESCRIBE THE ACQUISITION TRANSACTION.

A. On August 6, 2010, FPUC entered into an asset purchase agreement with IGC, whereby FPUC acquired substantially all of the natural gas assets of IGC and assumed certain liabilities, primarily customer deposits and a regulatory liability, effective July 31, 2010. The total cash paid by FPUC in this acquisition transaction was $1,188,305. There was no non-cash consideration paid or exchanged in this transaction. Unlike Chesapeake's acquisition of FPUC, which was an exchange of stock treated as a tax-free reorganization for income tax purposes, FPUC's acquisition of IGC assets was treated as a cash purchase of assets in a taxable transaction. In a taxable asset purchase, the premium paid over the book value of the assets is eligible for future tax deduction based on applicable tax rules. Subsequent to the acquisition, FPUC established a new operating entity, FPUC-Indiantown Division, to maintain separate books and records for this division from the rest of Chesapeake's and FPUC's natural gas operation.

Q. DID THE ACQUISITION BY FPUC RESULT IN A PURCHASE PRICE GREATER THAN THE BOOK VALUE OF THE ACQUIRED NATURAL GAS ASSETS FROM IGC?

A. Yes. The amount paid by FPUC for the acquisition of the IGC natural gas assets (net of certain liabilities assumed as previously described) was $1,188,305. The net book value of those assets at the time of the acquisition was $442,504, including a small adjustment of $3,909 made to reduce the book value of certain assets subsequent to the acquisition. Thus, the purchase price paid by FPUC exceeded the book value of the acquired assets of the IGC natural gas business by $745,800, as shown in Exhibit___(MK-1).

Q. HOW DID THE COMPANY DETERMINE THE PURCHASE PRICE FOR THE IGC NATURAL GAS ASSETS?

A. Since only the IGC natural gas assets were acquired by FPUC, the purchase price used in the calculation of the premium as previously described was the total cash paid in the acquisition transaction. For accounting purposes, the Company prepared a bottom-up valuation calculation to support the fair value of the IGC natural gas operation. This bottom-up valuation calculation was prepared for the sole purpose of accounting and in accordance with the accounting principles generally accepted in the United States of America ("US GAAP"). This bottom-up valuation calculation used the similar methodology as the one utilized in the Discounted Cash Flow ("DCF") method of the Income Approach by the independent valuation experts to determine the fair value of FPUC's natural gas business in Chesapeake's acquisition of FPUC (Docket 110133-GU). The resulting fair value of IGC's natural gas operation under the DCF method was approximately $1.2 million, as shown in Exhibit__(MK-2). This fair value matches the $1,188,305 paid by FPUC in this acquisition transaction (the difference is less than $24,000 or 2 percent).

Q. DID THE COMPANY USE ANY OTHER METHOD OF VALUATION TO VALIDATE THE FAIR VALUE PAID BY FPUC IN THIS ACQUISITION TRANSACTION?

A. Under US GAAP, fair value can also be determined by the Market Approach and Cost Approach, in addition to the DCF method of the Income Approach. In this case, IGC's natural gas operation was too small to identify comparable companies and similar acquisitions with the publicly available information. Due to this limitation, the Company did not utilize the Guideline Company Method and Similar Transaction Method of the Market Approach, which were two other methods utilized in addition to the DCF method in the independent valuation of FPUC's natural gas business in Chesapeake's acquisition of FPUC (Docket 110133-GU). It should be noted that even in the independent valuation of FPUC in Docket 110133-GU, only a small weight of 20 percent was given to the Market Approach, with the remaining 80 percent of the weight given to the DCF method of the Income Approach. The Cost Approach is usually not utilized when valuing an on-going, profitable operation and therefore, it was not utilized in this valuation. The use of only the DCF method in calculating the fair value of IGC's natural gas operation in this case is reasonable, given the limitation and relatively small size, and is in accordance with US GAAP.

Q. DID THE COMPANY OBTAIN THE VALUATION FROM INDEPENDENT VALUATION EXPERTS?

A. No. Due to the small size of the transaction, this bottom-up valuation calculation (Exhibit__(MK-2)) was prepared by the Company's accounting staff, rather than independent valuation experts as was the case for Chesapeake's acquisition of FPUC in Docket 110133-GU. In other words, it would not have been cost effective to seek an independent valuation of the IGC transaction.

Q. WHY DID THE COMPANY PAY THE PREMIUM TO ACQUIRE IGC'S ASSETS? WHY IS THIS PREMIUM APPROPRIATE FOR THE IGC TRANSACTION?

A. IGC was a small, family-owned natural gas distribution company. It provided natural gas transportation service to approximately 700 customers in Indiantown, Florida, with two large industrial customers accounting for the majority of the natural gas delivery volume. Like many small, family-owned businesses, IGC had a relatively high cost of service due to their lack of economies of scale. IGC also experienced difficulty attracting capital and lacked the depth of operational and management resources to expand the system beyond the existing distribution footprint, which are typical to small utility operations. It is located adjacent to FPUC's largest natural gas distribution operating division, West Palm Beach. This geographic proximity provides the opportunity for significant synergies and cost savings to be harvested. IGC provides unbundled transportation service with the majority of its delivery volume to serve large industrial customers, which Chesapeake has significant experience through the similar operational background in its

Florida division. Based on these facts, IGC was an attractive acquisition target and was consistent with the FPUC strategic plan for natural gas system growth. In small acquisitions such as this one, it is not unusual for the premium to appear high relative to the book value of the assets acquired due to the low book value of assets as a result of lack of growth in the business prior to the acquisition and significant opportunities for synergies and savings.

Q. IS THE COMPANY SEEKING APPROVAL OF THE NATURAL GAS POSITIVE ACQUISITION ADJUSTMENT OF $745,800?

A. Yes, as further described in the testimony of Ms. Cheryl Martin and Ms. Mariana Perea, the Company believes that it has demonstrated, through the "five factor test," that extraordinary circumstances exist and is therefore appropriate for the Commission to approve the $745,800 positive acquisition adjustment in this case.

Q. WHAT REGULATORY TREATMENT OF THE POSITIVE ACQUISITION ADJUSTMENT IS BEING REQUESTED BY FPUC?

A. FPUC is requesting that the Commission approve a) the total purchase premium or positive acquisition adjustment of $745,800 to be recorded on FPUC – Indiantown Division's natural books in Account 114 – Gas Plant Acquisition Adjustment; and b) the amortization of the positive acquisition adjustment to Account 406, Amortization of Gas Plant Acquisition Adjustment, as an above-the-line expense over 15 years for ratemaking and earnings surveillance purposes.

Q. IS FPUC SEEKING ANY OTHER REGULATORY TREATMENT ASSOCIATED WITH THE ACQUISITION?

A. No. FPUC is not requesting approval to recover any transaction or transition costs attributable to the acquisition of IGC's natural gas business.

Q. IS FPUC REQUESTING AN ADJUSTMENT TO ITS CURRENTLY APPROVED RATES IN THIS PROCEEDING?

A. No. The Company is seeking Commission approval to place the positive acquisition adjustment into the FPUC – Indiantown Division's rate base and the associated amortization amount to be recorded "above-the-line" in the FPUC – Indiantown Division's cost of service and earnings surveillance reports.

Q. WHAT IS YOUR UNDERSTANDING OF THE AMORTIZATION POLICY OF THE COMMISSION?

A. The Commission has authorized positive acquisition adjustments in several natural gas cases, including Peoples Gas' acquisition of Southern Gas Company (Order No. 23858); FPUC's acquisition of South Florida Natural Gas (Order No. PSC-04-1110-PAA-GU); AGL's acquisition of NUI (Order No. PSC-07-0913-PAA-GU); Chesapeake's acquisition of Central Florida Gas (Order No. 18716); and, most recently, Chesapeake's acquisition of FPUC (Order No. PSC-12-0010-PAA-GU). In most of these cases, the Commission has approved a 30-year amortization period although the Commission approved a shorter amortization period for a smaller acquisition adjustment, as was the case for the Chesapeake acquisition of Central Florida Gas where the amortization period was 15-years. The Commission approved the amortization to begin essentially at the acquisition closing date using the straight-line method.

Q. IS THE COMPANY PROPOSING SIMILAR TREATMENT?

A. Yes, the Company is proposing a fifteen (15) year amortization period for the positive acquisition adjustment, based on the Commission's approval in the Chesapeake acquisition of Central Florida Gas. Due to the size of this acquisition, and the relatively low revenue requirement for the acquisition premium, the Company believes that a shorter amortization period than that generally approved by the Commission for larger transactions, like Chesapeake's acquisition of FPUC, is appropriate. Exhibit___ (MK-3) shows the Company's proposed amortization schedule.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Florida Public Utilities Company-Indiantown
Calculation of Natural Gas Premium

	Originally Recorded At Acquisition	Subsequent Adjustment in 2010	Total	
Purchase price	$ 1,188,305	$ -	$ 1,188,305	See Note 1
Net assets purchased - at book value:				
Assets purchased at closing:				See Note 2 & Note 4
Mains - plastic	192,545		192,545	
Mains - steel	249,316		249,316	
Measuring and regulator equipment	47,982		47,982	
Services - plastic	106,771		106,771	
Meters	64,830		64,830	
Meter installations	15,792		15,792	
House regulators	20,316		20,316	
Measuring and regulator equipment-industrial	99,570		99,570	
Utility land and rights	12,500		12,500	
Building, structures and improvement	171,895		171,895	
Office furniture	27,774		27,774	
Computer equipment	13,228		13,228	
Tools, shop and garage equipment	13,438		13,438	
Power operated equipment	25,970		25,970	
Other equipment - miscellaneous	13,647		13,647	
Computer software	26,589		26,589	
A/D - mains - plastic	(168,630)	67,967	(100,663)	
A/D - mains - steel	(223,677)	(23,782)	(247,459)	
A/D - mains replacement	1,924		1,924	
A/D - Measuring and regulator equipment	(5,453)	(11,885)	(17,338)	
A/D - Services - plastic	(26,904)	(31,721)	(58,625)	
A/D - Meters	(19,347)	(7,653)	(27,000)	
A/D - Meter installations	(4,370)	968	(3,402)	
A/D - House regulators	(5,593)	(842)	(6,435)	
A/D - House regulators install	-		-	
A/D - Measuring and regulator equipment-industrial	(71,229)	4,243	(66,986)	
A/D - Building, structures and improvement	(50,000)		(50,000)	
A/D - Office furniture	(13,870)		(13,870)	
A/D - Computer equipment	(2,758)	(1,204)	(3,962)	
A/D - Tools, shop and garage equipment	927		927	
A/D - Power operated equipment	(7,951)		(7,951)	
A/D - Other equipment miscellaneous	(6,646)		(6,646)	
A/D - Computer software	(9,755)		(9,755)	
Liabilities assume at closing				See Note 3
Property tax payable	(2,128)		(2,128)	
Customer deposit	(19,898)		(19,898)	
ECCR over-recovery (regulatory liability)	(16,263)		(16,263)	
Interest on customer deposits	(2,883)		(2,883)	
Accrued taxes	(1,245)		(1,245)	
Net assets purchased - book value	446,414	(3,909)	442,505	
Purchase premium	$ 741,891	$ 3,909	$ 745,800	

Note 1 No outside valuation work was prepared due to lack of materiality. The Company's accounting staff prepared the fair value calculation of Indiantown Gas Company's natural gas operation, which resulted in the value of approximately $1.2 million, which supports the fairness of this price paid by Florida Public Utilities Company.

Note 2 The only assets acquired in the transaction were plant assets. Transportation equipment-vehicle was excluded from the acquisition as specified in the asset purchase agreement. The book value of the plant assets and accumulated depreciation at acquisition reflects that general ledger balance at July 31, 2010 maintained by Indiantown Gas Company.

In December 2010 after the further review of the accumulated depreciation balance, the Company made certain adjustments to the initial acquisition entry. The net impact was not material (a reduction of assets by $3,909).

Note 3 Since the transaction was an asset purchase, most of Indiantown Gas Company's liabilities were not assumed by Florida Public Utilities Company. Certain liabilities, mostly customer deposit, regulatory liability and accrued expenses that Florida Public Utilities Company will pay along with the regularly scheduled future payment, were assumed in the transaction.

Note 4 No intangible asset from Indiantown Gas Company was acquired in the transaction. The former owners of Indiantown Gas Company signed a non-compete agreement; however, the non-compete agreement had no previous book value and determined not to have any material fair value due the following reasons:
(a) regulatory restriction in providing the service to the existing or future customers in the franchised areas;
(b) physical restriction and intensive capital requirement to compete; and
[c] lack of economic substance to such agreement in a rate-regulated environment.

Florida Public Utilities Company-Indiantown
Fair Value of Purchased Assets

Calculation of total invested capital

Sum of present value of DFNCF	$	408,380
Present value of terminal value	$	803,586
Fair value of net assets	**$**	**1,211,965**

	Year 1	Year 2	Year 3	Year 4	Year 5	
Growth assumption		2.0%	2.0%	2.0%	2.0%	
Operating expense increase assumption		3.0%	3.0%	3.0%	3.0%	
Gross margin	$ 557,577	$ 568,729	$ 580,103	$ 591,705	$ 603,540	
Operating expenses	$ 319,489	$ 329,074	$ 338,946	$ 349,115	$ 359,588	
Add back - Depreciation and ARC	$ (48,283)	$ (49,731)	$ (51,223)	$ (52,760)	$ (54,343)	
EBITDA	$ 286,371	$ 289,386	$ 292,380	$ 295,351	$ 298,294	
Tax depreciation	$ 35,491	$ 70,248	$ 69,691	$ 70,605	$ 73,608	
Operating profit	$ 250,880	$ 219,138	$ 222,690	$ 224,745	$ 224,686	
Income taxes - at 38.575%	$ 96,777	$ 84,532	$ 85,903	$ 86,696	$ 86,673	
Debt-free net income	$ 154,103	$ 134,605	$ 136,787	$ 138,050	$ 138,014	
Plus: Tax depreciation	$ 35,491	$ 70,248	$ 69,691	$ 70,605	$ 73,608	
Less: Capital expenditures	$ (98,283)	$ (99,731)	$ (101,223)	$ (102,760)	$ (104,343)	
Less: Pension contribution						
(Increase)/decrease in DFNWC	$ 5,576	$ 112	$ 114	$ 116	$ 118	
Debt-free net working capital	$ 96,887	$ 105,234	$ 105,368	$ 106,011	$ 107,397	
Present value factor - at 10.0%	95.143%	86.124%	77.961%	70.571%	63.882%	
Present value of DFNCF	$ 92,181	$ 90,632	$ 82,146	$ 74,813	$ 68,607	$ 408,380

Discount rate

Equity	60%	13.8%	8.3%
Debt	40%	3.7%	1.5%
			9.8%

Cost of debt

Debt borrowing rate	6.1%
Income tax rate	38.575%
After tax cost of debt	3.7%

Terminal value

EBITDA	$	295,342
Less: Tax depreciation	$	86,424
Operating profit	$	208,918
Income taxes - at 38.575%	$	80,590
Debt-free net income	$	128,328
Plus: Tax depreciation	$	86,424
Less: Capital expenditures	$	(102,775)
Less: Pension contribution	$	-
(Increase)/decrease in DFNWC	$	116
Debt-free net working capital	$	112,092
Debt-free net working capital	$	112,092
Terminal growth rate		1.00%
	$	113,213
Divided by capitalization rate		9.00%
	$	1,257,926
Present value factor - at 10.0%		63.882%
	$	803,586

FLORIDA PUBLIC UTILITIES COMPANY

Proposed Amortization Schedule of the Natural Gas Premium

15 YEAR AMORTIZATION SCHEDULE

$ 745,800	Acquisition Premium
$ -	Regulatory Assets
$ 745,800	Total

Per the Commission Practice (Straight Line)

		Amortization Expense			Remaining Balance - at year-end		
Calendar Year	No of Months	Reg Asset Amortization	Acq Premium Amortization	Total Amortization	Reg Asset	Acq Premium	Total
					$ -	$ 745,800	$ 745,800
2010	5	$ -	$ 20,717	$ 20,717	$ -	$ 725,083	$ 725,083
2011	12	$ -	$ 49,720	$ 49,720	$ -	$ 675,363	$ 675,363
2012	12	$ -	$ 49,720	$ 49,720	$ -	$ 625,643	$ 625,643
2013	12	$ -	$ 49,720	$ 49,720	$ -	$ 575,923	$ 575,923
2014	12	$ -	$ 49,720	$ 49,720	$ -	$ 526,203	$ 526,203
2015	12	$ -	$ 49,720	$ 49,720	$ -	$ 476,483	$ 476,483
2016	12		$ 49,720	$ 49,720	$ -	$ 426,763	$ 426,763
2017	12		$ 49,720	$ 49,720	$ -	$ 377,043	$ 377,043
2018	12		$ 49,720	$ 49,720	$ -	$ 327,323	$ 327,323
2019	12		$ 49,720	$ 49,720	$ -	$ 277,603	$ 277,603
2020	12		$ 49,720	$ 49,720	$ -	$ 227,883	$ 227,883
2021	12		$ 49,720	$ 49,720	$ -	$ 178,163	$ 178,163
2022	12		$ 49,720	$ 49,720	$ -	$ 128,443	$ 128,443
2023	12		$ 49,720	$ 49,720	$ -	$ 78,723	$ 78,723
2024	12		$ 49,720	$ 49,720	$ -	$ 29,003	$ 29,003
2025	7		$ 29,003	$ 29,003	$ -	$ 0	$ 0
	180	$ -	$ 745,800	$ 745,800			

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF CHERYL MARTIN

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Cheryl Martin. I am the Director of Regulatory Affairs for Florida Public Utilities Company ("FPUC"). My business address is 1641 Worthington Road, Suite 220, West Palm Beach, Florida 33409.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND RELEVANT PROFESSIONAL EXPERIENCE.

A. I attended Florida State University and graduated in 1984 with a Bachelor of Science degree in Accounting. I am also a Certified Public Accountant in the State of Florida. I have been employed by FPUC since 1985 and have performed numerous accounting and regulatory roles and functions including regulatory accounting (Fuel, PGA, conservation, rate proceedings, Earnings Surveillance Reports (ESR) and regulatory reporting), tax accounting, external reports, corporate accounting and Florida accounting. In August 2011, I was promoted to my current position of Director of Regulatory Affairs. I have been an expert witness for numerous proceedings before the Florida Public Service Commission (FPSC).

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

A. In my current position, I am responsible for all Florida regulatory functions for the Company's natural gas and electric operating units.

Q. WHAT IS THE PURPOSE OF THE COMPANY'S FILING?

A. The Company is seeking Commission approval for recovery of a positive acquisition adjustment for the natural gas asset purchase of Indiantown Gas Company (IGC) on the books of FPUC – Indiantown Division and authority to amortize the requested amount over a fifteen (15) year period.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony explains and supports the Company's request for recovery of a positive acquisition adjustment related to the FPUC acquisition of IGC. I will also describe, in conjunction with Ms. Mariana Perea, Director of Customer Care and Mr. Matthew Kim –Vice President and Corporate Controller, the qualitative and quantitative benefits to customers that are a direct result of FPUC's acquisition of IGC. I will outline how, as a result of these benefits, the Company has met the five-factor test traditionally applied by the Commission for determining whether a Company should be allowed to recover a positive acquisition adjustment.

Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. I am sponsoring the following Exhibits to my testimony:

- Exhibit___(CM-1) – Indiantown Gas Company June 30, 2010 ESR
- Exhibit___(CM-2) – FPUC – Indiantown Division December 31, 2011 ESR
- Exhibit___(CM-3) – Calculation of Operating Savings

- Exhibit___(CM-4) – Calculation of Acquisition Premium Revenue Requirements and Comparison to Operating Savings
- Exhibit___(CM-5) – Cost of Capital Savings Calculation

Q. PLEASE SUMMARIZE THE COMPANY'S SPECIFIC REQUESTS FOR COMMISSION ACTION INCLUDED IN ITS PETITION.

A. The Company requests that the Commission take the following actions:

1. Grant the Company authority to record the $745,800 purchase price premium as a positive acquisition adjustment in Account 114 – Gas Plant Acquisition Adjustment;
2. Authorize the Company to amortize the positive acquisition adjustment over fifteen (15) years, beginning August 1, 2010, using the straight line amortization method and that this amortization expense be recorded in Account 406 – Amortization of Gas Plant Acquisition Adjustments; and
3. Find that no over-earnings exist as of December 31, 2011 and, therefore, no refund to customers is required.

Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF THE CURRENT COMMISSION POLICY REGARDING ACQUISTION ADJUSTMENTS.

A. It is my understanding that the Commission looks at each particular acquisition individually. If there are extraordinary circumstances that can be demonstrated, then the Commission may allow recovery of the positive acquisition adjustment. The Commission has historically utilized a "Five Factor Test" to determine whether such extraordinary circumstances exist.

The Five Factor Test assesses the beneficial nature of the acquisition with regard to the existing customers of the Company. The Five Factors included in the Commission test are: 1) Increased quality of service; 2) Lower operating costs; 3) Increased ability to attract capital for improvements; 4) Lower overall cost of capital; and 5) More professional and experienced managerial, financial, technical and operational resources.

Q. PLEASE SUMMARIZE THE COMPANY'S POSITION ON WHETHER EXTRAORDINARY CIRCUMSTANCES HAVE BEEN DEMONSTRATED THAT WARRANT A POSITIVE ACQUISITION ADJUSTMENT.

A. The Company believes that in the short span of time between the consummation of the acquisition and this filing, it has met - and/or exceeded - the "Five Factor Test" criteria historically used by the Commission to determine whether extraordinary circumstances exist to support approval of a positive acquisition adjustment. The Company can demonstrate that it has: 1) significantly improved the quality of service provided to customers, without the Commission receiving a single consumer complaint since the acquisition; 2) achieved a reduction in operating costs (inclusive of cost of capital savings) that exceed the revenue requirements associated with a positive acquisition adjustment, thus providing net benefits to consumers. 3) provided IGC with superior access to capital for system growth and improvements; 4) reduced IGC's post-merger cost of capital; and 5) strengthened the managerial, financial, technical and operational resources of the combined company. Therefore, the Company requests Commission approval of the Positive Acquisition Adjustment resulting from the transaction.

Q. CAN YOU ELABORATE ON THE COMPANY'S SERVICE QUALITY IMPROVEMENTS?

A. Ms. Perea's testimony provides an overview of the philosophical, organizational and technical improvements the Company has implemented to improve service quality.

Q. WHAT HAS THE COMPANY USED AS ITS BASIS FOR DETERMINING THE LEVEL OF OPERATING SAVINGS DERIVED FROM THE ACQUISITION?

A. The Company has used for comparative purposes the Operations & Maintenance (O&M) costs of IGC immediately prior to the acquisition (the June 30, 2010 ESR, attached as Exhibit___(CM-1)) with the FPUC – Indiantown ESR as of December 31, 2011 (attached as Exhibit___(CM-2). The Company believes that this is the most appropriate data to compare in this instance, because IGC's last general rate proceeding occurred well in the past using a Historic Test Year ending December 31, 2002.

Q. WHAT LEVEL OF OPERATING SAVINGS HAS THE COMPANY ACHIEVED?

A. As shown on Exhibit___(CM-3), the comparison of ESR reports shows that Operating (O&M) expenses reflect a savings of $187,792 per year. The primary savings results from the reduction of IGC personnel. No employees were retained, but an O&M Agreement with IGC was implemented so that local service (turn-ons and offs, walk-in payments, etc.) to customers remained intact. FPUC, due to the proximity of its West Palm Beach service territory now performs most services (customer service, accounting & regulatory, scheduled operational and maintenance tasks, etc.) with its existing employees, rather than the hiring or retention of IGC employees. Although the FPUC employees charge their time appropriately to FPUC – Indiantown Division, significant savings have occurred when compared to IGC as a stand-alone entity.

Q. ARE THE SAVINGS ACHIEVED BY THE COMPANY PERMANENT OR TEMPORARY?

A. The savings achieved by the Company are permanent. The Commission's practice has been to continue to review the permanency of the cost savings supporting the approval of the positive acquisition adjustment in all future rate proceedings. The level of savings over the proposed fifteen year amortization period is expected to be greater than the revenue requirements of the positive acquisition adjustment, which decline over time. Exhibit___(CM-4) compares the achieved savings with the revenue requirements of the positive acquisition adjustment over the proposed fifteen year amortization life.

Q. PLEASE DESCRIBE THE COST OF CAPITAL SAVINGS.

A. The IGC June 30, 2010 ESR reflects an overall cost of capital of 8.92%. The December 31, 2011 FPUC – Indiantown Division ESR filed with the

Commission reflected an overall cost of capital of 8.68%. The overall cost of capital has declined by 0.24%, which results in a lower annual revenue requirement of $2,215 when applied to the 13-month average rate base at December 31, 2011 (without the acquisition related rate base items) of $569,879. Exhibit __(CM-5) shows the calculation of the cost of capital savings.

Q. WITH REGARD TO INCREASED ABILITY TO ATTRACT CAPITAL AND LOWER OVERALL COST OF CAPITAL, THE THIRD AND FOURTH FACTORS OF THE "FIVE FACTOR TEST," IS THERE ADDITIONAL INFORMATION PERTINENT TO THE COMPANY'S DEMONSTRATION ON THESE POINTS?

A. Yes. IGC, due to its size, did not have a credit rating and was extremely limited in its ability to attract capital, either debt or equity. At the time of the acquisition, IGC's long-term debt outstanding was under $400,000. By comparison, Chesapeake Utilities Corporation's ("Chesapeake"), FPUC's parent company, long-term debt is rated NAIC 1, which is equivalent to Standard and Poor's AAA to A- rating. Chesapeake's ratings result in a superior ability to attract capital at lower costs. In conjunction with the merger with FPUC, Chesapeake successfully negotiated the re-financing of four series of FPUC's secured first mortgage bonds, with lower cost unsecured Chesapeake Senior Notes. Chesapeake has access to $140 million of short-term debt via four short-term lines of credit and one revolving facility. The short-term debt includes two committed facilities totaling $60 million and three uncommitted facilities totaling $80 million. In addition, Chesapeake, over the 10-year period immediately prior to the IGC acquisition, had obtained well over $100 million of competitively priced, unsecured long-term debt.

Q. THE FIFTH FACTOR OF THE TEST PERTAINS TO MORE PROFESSIONAL AND EXPERIENCED RESOURCES OF THE ACQUIRING COMPANY. WHAT INFORMATION SHOULD THE COMMISSION CONSIDER WITH REGARD TO THIS FACTOR?

A. Chesapeake, including its FPUC subsidiary owns and operates several business units: 1) natural gas utility operations in Florida, Delaware and Maryland; 2) a FERC-regulated natural gas interstate transmission pipeline which interconnects with three major interstate pipelines in Pennsylvania, traverses through Delaware and terminates in Maryland on the Delmarva peninsula; 3) a Commission-regulated natural gas intrastate transmission pipeline; 4) electric utility operations in Florida; and 5) propane distribution operations in Delaware, Maryland, Virginia, Pennsylvania and Florida, as well as, a propane trading company located in Houston, Texas. The Company is experienced in both mild and cold climates and serves both urban and rural areas. When one compares the Company's performance related to both growth and return on investment, it consistently ranks at or near the very top in its peer group. In addition, the strength and commitment of the Company's leadership team is reflected by the fact that Chesapeake is a multiple winner of the AGA Gas

Safety Award. Thus, at the corporate parent level, the Company has extensive experience and resources in financing, operations, and regulatory management. With regard to the Company's Florida operation, the Florida system itself encompasses a wide variety of operational characteristics within the system. Its most extreme system operating parameters include 12" distribution mains, operating pressures of up to 721 pounds, providing service to electric cogeneration facilities and other industrial customers who, individually, consume up to 35 million therms per year. Many of these facilities fall under the Pipeline Integrity Management rules. The Florida operation serves approximately 70 industrial customers that consume over 100,000 therms per year. The Company serves customers in 13 counties throughout the state of Florida. Chesapeake's Florida operations have approximately 35 city gate stations interconnected with three major interstate transmission pipelines: FGT, Gulfstream and SONAT. The experience gained from operating and maintaining these system facilities have resulted in technical and operational skills and knowledge that can be used to further strengthen IGC, and sets the combined company apart from most other utilities in Florida. The Company's personnel have become very proficient with electronic measurement, communications, odorizing equipment and other highly technical distribution and transmission system devices.

Q. DOES THIS CONCLUDE YOUR TESTIMONY AS IT RELATES SPECIFICALLY TO THE "FIVE FACTOR" TEST?

A. Yes.

Q. CAN YOU QUANTIFY THE AMOUNT FOR THE POSITIVE ACQUISITION ADJUSTMENT?

A. Yes, the Positive Acquisition Adjustment amount for which the Company is seeking rate base treatment is $745,800. The testimony of Mr. Matthew Kim explains in more detail how this amount is derived.

Q. HAS THE COMPANY CALCULATED THE REVENUE REQUIREMENTS OF THE POSITIVE ACQUISITION ADJUSTMENT?

A. Yes. There are two components that comprise the total revenue requirements of the positive acquisition adjustment: the "return on investment" component and the "return of investment" component. Exhibit CM-4 details the calculation of the revenue requirements of the $745,800 positive acquisition adjustment. The Company calculated the 13-month average premium amount and the 13-month average accumulated amortization (reflecting the straight-line amortization) for the period ending December 31, 2011. The Company utilized the 13-month average FPUC – Indiantown Division capital structure reflected in the as-filed ESR to determine the after-tax return requirements and then, applying the appropriate federal and state income tax rate, calculated the total revenue requirement of this component (return on investment) of the positive acquisition adjustment. The revenue requirements for the "return on investment" component of the positive acquisition adjustment are $88,911 for 2011.

Q. ARE THERE ANY OTHER COMPONENTS OF THE REVENUE REQUIREMENT RELATED TO THE POSITIVE ACQUISITION ADJUSTMENT?

A. Yes. In addition to the "return on investment" component, there is the "return of investment" or amortization component. The revenue requirements for the "return of investment" component of the positive acquisition adjustment are $49,720. Therefore, the total revenue requirements in 2011 for the positive acquisition adjustment, as calculated herein, utilizing the straight-line amortization method are $138,631.

Q. HOW DO THE ACHIEVED SAVINGS COMPARE TO THE COSTS OF THE POSITIVE ACQUISITION ADJUSTMENT?

A. The total amount of actual operating cost savings is $191,449, which is greater than the total revenue requirements of $138,631 for the Positive Acquisition Adjustment.

Q. WHAT IS THE EFFECT OF THE POSITIVE ACQUISITION ADJUSTMENT ON THE DECEMBER 31, 2011 ESR FOR FPUC – INDIANTOWN DIVISION?

A. If the Commission grants the Company's request for approval of the positive acquisition adjustment for all financial purposes, with an effective date of August 1, 2010, then, as shown on Exhibit___(CM-2), FPUC – Indiantown Division would have achieved an Average ROR of 9.14% on the December 31, 2011 ESR, which is below the authorized high point ROR of 9.24%.

Q. BASED ON YOUR ANALYSIS, ARE THERE ANY OVER-EARNINGS FOR FPUC – INDIANTOWN DIVISION FOR THE PERIOD ENDING DECEMBER 31, 2011?

A. No.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Exhibit ________ (CM-1)
Page 1 of 6

INDIANTOWN GAS COMPANY

SCHEDULE 1

RATE OF RETURN REPORT SUMMARY
06/30/2010

	(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	-$ 22,163	$ 3,334	-$ 18,829	$ 0	-$ 18,829
AVERAGE RATE BASE	$ 201,445	$ 413,513	$ 614,958	$ 0	$ 614,958
AVERAGE RATE OF RETURN	-11.00%		-3.06%		-3.06%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	-$ 22,163	$ 3,335	-$ 18,827	$ 0	-$ 18,827
YEAR-END RATE BASE	$ 157,794	$ 440,301	$ 598,095	$ 0	$ 598,095
YEAR-END RATE OF RETURN	-14.05%		-3.15%		-3.15%

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

LOW	8.38%
MIDPOINT	8.92%
HIGH	9.45%

IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)

A.	INCL COMP RATE ADJ REVENUES	-10.98%
B.	EXCL COMP RATE ADJ REVENUES	-10.98%

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.

Melissa Powers
Chief Financial Officer

Melissa M. Powers — Signature

9-8-10 — Date

INDIANTOWN GAS COMPANY

SCHEDULE 2
PAGE 1 OF 2

AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 06/30/2010
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	$1,202,601	($625,429)	$577,173	$0	$124	$577,297	($375,852)	$201,445
FPSC ADJUSTMENTS:								
			$0			$0		$0
			$0			$0		$0
			$0			$0		$0
ELIMINATIONS TO WORKING CAPITAL							$413,513	$413,513
COMMON PLANT - NON-UTILITY OPERATIONS	$0	$0	$0			$0		$0
TOTAL FPSC ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$413,513	$413,513
FPSC ADJUSTED	$1,202,601	($625,429)	$577,173	$0	$124	$577,297	$37,661	$614,958
COMP RATE ADJ REVENUES	$0	$0	$0	$0	$0	$0	$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUE	$1,202,601	($625,429)	$577,173	$0	$124	$577,297	$37,661	$614,958
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0
PRO FORMA ADJUSTED	$1,202,601	($625,429)	$577,173	$0	$124	$577,297	$37,661	$614,958

INDIANTOWN GAS COMPANY

SCHEDULE 2
PAGE 2 OF 2

AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 06/30/2010
INCOME STATEMENT

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	$565,613	$0	$522,308	$55,846	$17,010	($7,388)	$0	$0	$0	$587,775	($22,162)
FPSC ADJUSTMENTS:											
1) Cleaning Expenses			$0			$0				$0	$0
2) Employee Uniforms			$0			$0				$0	$0
3) CEO Car Repairs			$0			$0				$0	$0
4) Non-Utility Common Expense Allocations			$0			$0				$0	$0
5) Indirect A&G Salaries			$0			$0				$0	$0
6) AAA & YMCA Membership Dues			$0			$0				$0	$0
7) Unallocated CFO Salary			$0			$0				$0	$0
8) Employee Activities			$0			$0				$0	$0
9) Eliminate Entertainment Expenses			$0			$0				$0	$0
10) Eliminate Life Insurance Expense			$0			$0				$0	$0
11) AGA Dues			$0			$0				$0	$0
12) Advertising Expense			$0			$0				$0	$0
13) Eliminate Charitable Contributions			$0			$0				$0	$0
14) Non-utility Property Taxes					$0	$0				$0	$0
15) Interest Synchronization						($3,334)				($3,334)	$3,334
16) Depreciation Expense - Common Plant				$0		$0				$0	$0
17) Depreciation Expense - pre-1970 Plant						$0				$0	$0
18) Depreciation Expense - New Hope Subdivision						$0				$0	$0
						$0				$0	$0
TOTAL FPSC ADJUSTMENTS	$0	$0	$0	$0	$0	($3,334)	$0	$0	$0	($3,334)	$3,334
FPSC ADJUSTED	$565,613	$0	$522,308	$55,845	$17,010	($10,721)	$0	$0	$0	$584,441	($18,828)
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$565,613	$0	$522,308	$55,845	$17,010	($10,721)	$0	$0	$0	$584,441	($18,828)
PRO FORMA REVENUE INCREASE & ANNUALIZATION ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PRO FORMA ADJUSTED	$565,613	$0	$522,308	$55,845	$17,010	($10,721)	$0	$0	$0	$584,441	($18,828)

Exhibit ________ (CM-1)
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INDIANTOWN GAS COMPANY

YEAR END RATE OF RETURN
FOR THE YEAR ENDED 06/30/2010
RATE BASE

SCHEDULE 3
PAGE 1 OF 2

Exhibit ________(CM-1)
Page 4 of 6

		(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		$1,190,037	($638,363)	$551,674	$0	$0	$551,674	($393,880)	$157,794
FPSC ADJUSTMENTS:									
	0	$0	$0	$0			$0		$0
	0	$0	$0	$0			$0		$0
	0	$0	$0	$0			$0		$0
ELIMINATIONS TO WORKING CAPITAL								$440,301	$440,301
COMMON PLANT - NON-UTILITY OPERATIONS		$0	$0	$0			$0		$0
TOTAL FPSC ADJUSTMENTS		$0	$0	$0	$0	$0	$0	$440,301	$440,301
FPSC ADJUSTED		$1,190,037	($638,363)	$551,674	$0	$0	$551,674	$46,421	$598,095
COMP RATE ADJ REVENUES		$0	$0	$0	$0	$0	$0	$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUE		$1,190,037	($638,363)	$551,674	$0	$0	$551,674	$46,421	$598,095
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS		$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS		$0	$0	$0	$0	$0	$0	$0	$0
PRO FORMA ADJUSTED		$1,190,037	($638,363)	$551,674	$0	$0	$551,674	$46,421	$598,095

INDIANTOWN GAS COMPANY

YEAR END RATE OF RETURN
FOR THE YEAR ENDED 06/30/2010
INCOME STATEMENT

SCHEDULE 3
PAGE 2 OF 2

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	$565,613	$0	$522,308	$55,845	$17,010	($7,388)	$0	$0	$0	$587,775	($22,163)
FPSC ADJUSTMENTS:											
1) Cleaning Expenses			$0			$0				$0	$0
2) Employee Uniforms			$0			$0				$0	$0
3) DBO Car Repairs			$0			$0				$0	$0
4) Non-Utility Common Expense Allocations			$0			$0				$0	$0
5) Indirect A&G Salaries			$0			$0				$0	$0
6) AAA & YMCA Membership Dues			$0			$0				$0	$0
7) Unallocated CFO Salary			$0			$0				$0	$0
8) Employee Activities			$0			$0				$0	$0
9) Eliminate Entertainment Expenses			$0			$0				$0	$0
10) Eliminate Life Insurance Expense			$0			$0				$0	$0
11) AGA Dues			$0			$0				$0	$0
12) Advertising Expense			$0			$0				$0	$0
13) Eliminate Charitable Contributions			$0			$0				$0	$0
14) Non-utility Property Taxes					$0	$0				$0	$0
15) Interest Synchronization						($3,335)				($3,335)	$3,335
16) Depreciation Expense - Common Plant				$0		$0				$0	$0
17) Depreciation Expense - pre-1970 Plant						$0				$0	$0
18) Depreciation Expense - New Hope Subdivision						$0				$0	$0
						$0				$0	$0
TOTAL FPSC ADJUSTMENTS	$0	$0	$0	$0	$0	($3,335)	$0	$0	$0	($3,335)	$3,336
FPSC ADJUSTED	$565,613	$0	$522,308	$55,845	$17,010	($10,723)	$0	$0	$0	$584,440	($18,827)
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$565,613	$0	$522,308	$55,845	$17,010	($10,723)	$0	$0	$0	$584,440	($18,827)
PRO FORMA REVENUE INCREASE & ANNUALIZATION ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PRO FORMA ADJUSTED	$565,613	$0	$522,308	$55,845	$17,010	($10,723)	$0	$0	$0	$584,440	($18,827)

Exhibit ________(CM-1)
Page 5 of 6

INDIANTOWN GAS COMPANY

SCHEDULE 4

CAPITAL STRUCTURE
06/30/2010
FPSC ADJUSTED BASIS

AVERAGE	PER BOOKS	ADJUSTMENTS PRO RATA	ADJUSTMENTS SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MIDPOINT COST RATE (%)	MIDPOINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
COMMON EQUITY	$ 427,050	-$ 99,421		$ 327,629	$ 0	$ 327,629	53.28%	10.50%	5.59%	11.50%	6.13%	12.50%	6.66%
LONG TERM DEBT	$ 355,110	-$ 82,673		$ 272,437	$ 0	$ 272,437	44.30%	6.28%	2.78%	6.28%	2.78%	6.28%	2.78%
SHORT TERM DEBT	$ 0	$ 0		$ 0	$ 0	$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	$ 19,412	-$ 4,519		$ 14,893		$ 14,893	2.42%	0.57%	0.01%	0.57%	0.01%	0.57%	0.01%
TOTAL AVERAGE	$ 801,572	-$ 186,614	$ 0	$ 614,958	$ 0	$ 614,958	100.00%		8.38%		8.92%		9.45%

YEAR-END	PER BOOKS	ADJUSTMENTS PRO RATA	ADJUSTMENTS SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MIDPOINT COST RATE (%)	MIDPOINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
COMMON EQUITY	$ 439,312	-$ 101,721		$ 337,591		$ 337,591	56.44%	10.50%	5.93%	11.50%	6.49%	12.50%	7.06%
LONG TERM DEBT	$ 336,104	-$ 77,824		$ 258,280		$ 258,280	43.18%	6.63%	2.86%	6.63%	2.86%	6.63%	2.86%
SHORT TERM DEBT	$ 0	$ 0		$ 0		$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	$ 2,894	-$ 670		$ 2,224		$ 2,224	0.37%	3.80%	0.01%	3.80%	0.01%	3.80%	0.01%
TOTAL YEAR-END	$ 778,311	-$ 180,215	$ 0	$ 598,096	$ 0	$ 598,095	100.00%		8.80%		9.36%		9.93%

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit ____(CM-2)
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REVISED SCHEDULE 1

RATE OF RETURN REPORT SUMMARY
DECEMBER 31, 2011

	(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	$173,551	($26,896)	$146,655	($30,541)	$116,115
AVERAGE RATE BASE	$1,315,679	($745,800)	$569,879	$700,225	$1,270,104
AVERAGE RATE OF RETURN	13.19%		25.73%		9.14%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	$173,551	($25,204)	$148,347	($30,541)	$117,806
YEAR-END RATE BASE	$1,651,067	($745,800)	$905,267	$675,365	$1,580,632
YEAR-END RATE OF RETURN	10.51%		16.39%		7.45%

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

LOW	8.12%
MIDPOINT	8.68%
HIGH	9.24%

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A.	INCL COMP RATE ADJ REVENUES	42.51%
B.	EXCL COMP RATE ADJ REVENUES	42.51%

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 of Regulatory Affairs

Signature

Date

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit _____(CM-2)
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REVISED

SCHEDULE 2
PAGE 1 OF 2

AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2011
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	$1,925,469	($690,265)	$1,235,204	$0	$0	$1,235,204	$80,476	$1,315,679
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							$0	$0
ELIMINATE ACQUISITION ADJ.	($745,800)		($745,800)			($745,800)		($745,800)
TOTAL FPSC ADJUSTMENTS	($745,800)	$0	($745,800)	$0	$0	($745,800)	$0	($745,800)
FPSC ADJUSTED	$1,179,669	($690,265)	$489,404	$0	$0	$489,404	$80,476	$569,879
COMP RATE ADJ REVENUES	$0	$0	$0	$0	$0	$0	$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUE	$1,179,669	($690,265)	$489,404	$0	$0	$489,404	$80,476	$569,879
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	$745,800	($45,575)	$700,225	$0	$0	$700,225	$0	$700,225
TRANSACTION & TRANSITION COSTS	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$745,800	($45,575)	$700,225	$0	$0	$700,225	$0	$700,225
PRO FORMA ADJUSTED	$1,925,469	($735,840)	$1,189,629	$0	$0	$1,189,629	$80,476	$1,270,104

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit ____ (CM-2)
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REVISED

SCHEDULE 2
PAGE 2 OF 2

AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2011
INCOME STATEMENT

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	$613,342	$3,095	$283,359	$39,071	$6,068	$108,200	$0	$0	$0	$439,791	$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						($4,971)				($4,971)	$4,971
2) Income Tax Effective Rate Adjustment						$444				$444	($444)
3) Bad Debt Provision for Indiantown Cogen			$21,688			($8,366)				$13,322	($13,322)
4) Natural Gas Allocation Adjustment			$29,469			($11,368)				$18,101	($18,101)
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
TOTAL FPSC ADJUSTMENTS	$0	$0	$51,157	$0	$0	($24,261)	$0	$0	$0	$26,896	($26,896)
FPSC ADJUSTED	$613,342	$3,096	$334,516	$39,071	$6,066	$83,939	$0	$0	$0	$466,687	$146,656
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$613,342	$3,095	$334,516	$39,071	$6,066	$83,939	$0	$0	$0	$466,687	$146,655
ACQUISITION ADJ. - AMORT EXP	$0	$0	$0	$49,720	$0	($19,179)	$0	$0	$0	$30,541	($30,541)
TRANSACTION/TRANSITION COSTS - AMORT EXP	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$0	$0	$0	$49,720	$0	($19,179)	$0	$0	$0	$30,541	($30,541)
PRO FORMA ADJUSTED	$613,342	$3,095	$334,516	$88,791	$6,066	$64,759	$0	$0	$0	$497,227	$116,115

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit ____(CM-2)
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REVISED

SCHEDULE 3
PAGE 1 OF 2

YEAR END RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2011
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	$2,052,697	($713,351)	$1,339,346	$0	$0	$1,339,346	$311,721	$1,651,067
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL							$0	$0
ELIMINATE ACQUISITION ADJ.	($745,800)		($745,800)			($745,800)		($745,800)
TOTAL FPSC ADJUSTMENTS	($745,800)	$0	($745,800)	$0	$0	($745,800)	$0	($745,800)
FPSC ADJUSTED	$1,306,897	($713,351)	$593,546	$0	$0	$593,546	$311,721	$905,267
COMP RATE ADJ REVENUES	$0	$0	$0	$0	$0	$0	$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUE	$1,306,897	($713,351)	$593,546	$0	$0	$593,546	$311,721	$905,267
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	$745,800	($70,435)	$675,365	$0	$0	$675,365	$0	$675,365
TRANSACTION & TRANSITION COSTS	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$745,800	($70,435)	$675,365	$0	$0	$675,365	$0	$675,365
PRO FORMA ADJUSTED	$2,052,697	($783,786)	$1,268,911	$0	$0	$1,268,911	$311,721	$1,580,632

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit ____ (CM-2)
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REVISED SCHEDULE 3
PAGE 2 OF 2

YEAR END RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2011
INCOME STATEMENT

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPREC. & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) D.I.T. (NET)	(8) I.T.C. (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	$613,342	$3,095	$283,359	$39,071	$6,066	$108,200	$0	$0	$0	$439,791	$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						($6,664)				($6,664)	$6,664
2) Income Tax Effective Rate Adjustment						$445				$445	($445)
3) Bad Debt Provision for Indiantown Cogen			$21,688			($8,366)				$13,322	($13,322)
4) Natural Gas Allocation Adjustment			$29,469			($11,368)				$18,101	($18,101)
						$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	$0	$0	$51,157	$0	$0	($25,953)	$0	$0	$0	$25,204	($25,204)
FPSC ADJUSTED	$613,342	$3,095	$334,516	$39,071	$6,066	$82,247	$0	$0	$0	$464,995	$148,347
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$613,342	$3,095	$334,516	$39,071	$6,066	$82,247	$0	$0	$0	$464,995	$148,347
ACQUISITION ADJ. - AMORT EXP	$0	$0	$0	$49,720	$0	($19,179)	$0	$0	$0	$30,541	($30,541)
TRANSACTION/TRANSITION COSTS - AMORT EXP	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$0	$0	$0	$49,720	$0	($19,179)	$0	$0	$0	$30,541	($30,541)
PRO FORMA ADJUSTED	$613,342	$3,095	$334,516	$88,791	$6,066	$63,068	$0	$0	$0	$495,536	$117,806

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

Exhibit _____(CM-2)
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REVISED SCHEDULE 4

CAPITAL STRUCTURE
DECEMBER 31, 2011
FPSC ADJUSTED BASIS

AVERAGE	PER BOOKS	ADJUSTMENTS PRO RATA	ADJUSTMENTS SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MIDPOINT COST RATE (%)	MIDPOINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
COMMON EQUITY	$ 317,112			$ 317,112		$ 317,112	55.65%	10.60%	5.84%	11.50%	6.40%	12.60%	6.96%
LONG TERM DEBT	$ 147,411			$ 147,411		$ 147,411	25.87%	6.91%	1.79%	6.91%	1.79%	6.91%	1.79%
SHORT TERM DEBT	$ 32,570			$ 32,570		$ 32,570	5.72%	1.24%	0.07%	1.24%	0.07%	1.24%	0.07%
SHORT TERM DEBT REFINANCED LTD	$ 17,932			$ 17,932		$ 17,932	3.15%	6.33%	0.20%	6.33%	0.20%	6.33%	0.20%
CUSTOMER DEPOSITS	$ 19,197			$ 19,197		$ 19,197	3.37%	6.57%	0.22%	6.57%	0.22%	6.57%	0.22%
DEFERRED TAXES	$ 35,657			$ 35,657		$ 35,657	6.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL AVERAGE	$ 569,878	$ 0	$ 0	$ 569,878	$ 0	$ 569,878	100.00%		8.12%		8.68%		9.24%

YEAR-END	PER BOOKS	ADJUSTMENTS PRO RATA	ADJUSTMENTS SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MIDPOINT COST RATE (%)	MIDPOINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
COMMON EQUITY	$ 485,763			$ 485,763		$ 485,763	53.66%	10.50%	5.63%	11.50%	6.17%	12.50%	6.71%
LONG TERM DEBT	$ 235,120			$ 235,120		$ 235,120	25.97%	6.52%	1.69%	6.52%	1.69%	6.52%	1.69%
SHORT TERM DEBT	$ 70,021			$ 70,021		$ 70,021	7.74%	1.34%	0.10%	1.34%	0.10%	1.34%	0.10%
SHORT TERM DEBT REFINANCED LTD	$ 0			$ 0		$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	$ 18,548			$ 18,548		$ 18,548	2.06%	6.57%	0.13%	6.57%	0.13%	6.57%	0.13%
DEFERRED TAXES	$ 95,815			$ 95,815		$ 95,815	10.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL YEAR-END	$ 905,267	$ 0	$ 0	$ 905,267	$ 0	$ 905,267	100.00%		7.56%		8.09%		8.63%

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

CALCULATION OF OPERATING SAVINGS

Exhibit___(CM-3)

June 30, 2010 IGC ESR - O&M Expense	$522,308
Dec 31, 2011 FPUC - IND. DIV. O&M Expense	$334,516
Annual Operating Savings	$187,792

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
CALCULATION OF ACQUISITION PREMIUM
REVENUE REQUIREMENTS AND COMPARISON
TO OPERATING SAVINGS

	Cost Rate	Ratio	Weighted Cost	2010	2011	2012	2013	2014	2015	2016	2017
Average Premium		$ 745,800		$ 735,442	$ 700,223	$ 650,503	$ 600,783	$ 551,063	$ 501,343	$ 451,623	$ 401,903
Non-Deductible		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductible		$ 745,800		$ 725,083	$ 675,363	$ 625,643	$ 575,923	$ 526,203	$ 476,483	$ 426,763	$ 377,043
Equity	11.50%	55.65%	6.40%	$ 19,611	$ 44,813	$ 41,631	$ 38,449	$ 35,267	$ 32,085	$ 28,903	$ 25,721
LT Debt	6.91%	25.87%	1.79%	$ 5,478	$ 12,517	$ 11,629	$ 10,740	$ 9,851	$ 8,962	$ 8,073	$ 7,184
LT Debt - Refinance	6.33%	3.15%	0.20%	$ 611	$ 1,396	$ 1,297	$ 1,198	$ 1,099	$ 1,000	$ 901	$ 801
ST Debt	1.24%	5.72%	0.07%	$ 217	$ 497	$ 461	$ 426	$ 391	$ 356	$ 320	$ 285
Cust Deposits	6.57%	3.36%	0.22%	$ 676	$ 1,546	$ 1,436	$ 1,326	$ 1,216	$ 1,107	$ 997	$ 887
Deferred Inc Tax	0.00%	6.25%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal		100.00%	8.68%	$ 26,594	$ 60,768	$ 56,454	$ 52,139	$ 47,824	$ 43,509	$ 39,194	$ 34,879
Income Taxes		38.575%	4.02%	$ 12,316	$ 28,142	$ 26,144	$ 24,146	$ 22,148	$ 20,149	$ 18,151	$ 16,153
Pre-tax Return on Capital			12.70%	$ 38,909	$ 88,911	$ 82,598	$ 76,284	$ 69,971	$ 63,658	$ 57,345	$ 51,032
Amortization Expense (tax deductible)				$ 20,717	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720
Amortization Expense (not tax deductible)				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tax Gross-up				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revenue Requirement (Premium)				$ 59,626	$ 138,631	$ 132,318	$ 126,004	$ 119,691	$ 113,378	$ 107,065	$ 100,752
O&M Savings		0.00%		$ 78,247	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792
Cost of Capital Savings		0.00%		$ 923	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215
Total Savings				$ 79,170	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007
Net Annual Savings				$ 19,544	$ 51,376	$ 57,690	$ 64,003	$ 70,316	$ 76,629	$ 82,942	$ 89,256
Cumulative Savings				$ 19,544	$ 70,920	$ 128,610	$ 192,613	$ 262,929	$ 339,558	$ 422,500	$ 511,756

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
CALCULATION OF ACQUISITION PREMIUM
REVENUE REQUIREMENTS AND COMPARISON
TO OPERATING SAVINGS

	Cost Rate	Ratio	Weighted Cost	2018	2019	2020	2021	2022	2022	2023	2024
		$ 745,800	Average Premium	$ 352,183	$ 302,463	$ 252,743	$ 203,023	$ 153,303	$ 103,583	$ 53,863	$ 14,502
		$ -	Non-Deductible	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		$ 745,800	Deductible	$ 327,323	$ 277,603	$ 227,883	$ 178,163	$ 128,443	$ 78,723	$ 29,003	$ 0
Equity	11.50%	55.65%	6.40%	$ 22,539	$ 19,357	$ 16,175	$ 12,993	$ 9,811	$ 6,629	$ 3,447	$ 541
LT Debt	6.91%	25.87%	1.79%	$ 6,296	$ 5,407	$ 4,518	$ 3,629	$ 2,740	$ 1,852	$ 963	$ 151
LT Debt - Refinance	6.33%	3.15%	0.20%	$ 702	$ 603	$ 504	$ 405	$ 306	$ 207	$ 107	$ 17
ST Debt	1.24%	5.72%	0.07%	$ 250	$ 215	$ 179	$ 144	$ 109	$ 73	$ 38	$ 6
Cust Deposits	6.57%	3.36%	0.22%	$ 777	$ 668	$ 558	$ 448	$ 338	$ 229	$ 119	$ 19
Deferred Inc Tax	0.00%	6.25%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal		100.00%	8.68%	$ 30,564	$ 26,249	$ 21,934	$ 17,619	$ 13,304	$ 8,989	$ 4,674	$ 734
Income Taxes		38.575%	4.02%	$ 14,154	$ 12,156	$ 10,158	$ 8,160	$ 6,161	$ 4,163	$ 2,165	$ 340
Pre-tax Return on Capital			12.70%	$ 44,718	$ 38,405	$ 32,092	$ 25,779	$ 19,466	$ 13,152	$ 6,839	$ 1,074
Amortization Expense (tax deductible)				$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 49,720	$ 29,003
Amortization Expense (not tax deductible)				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tax Gross-up				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revenue Requirement (Premium)				$ 94,438	$ 88,125	$ 81,812	$ 75,499	$ 69,186	$ 62,872	$ 56,559	$ 30,077
O&M Savings		0.00%		$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 187,792	$ 109,545
Cost of Capital Savings		0.00%		$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 2,215	$ 1,292
Total Savings				$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 190,007	$ 110,838
Net Annual Savings				$ 95,569	$ 101,882	$ 108,195	$ 114,508	$ 120,822	$ 127,135	$ 133,448	$ 80,760
Cumulative Savings				$ 607,325	$ 709,207	$ 817,402	$ 931,910	$ 1,052,732	$ 1,179,867	$ 1,313,315	$ 1,394,075

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
COST OF CAPITAL SAVINGS CALCULATION

EXHIBIT ___(CM-5)

INDIANTOWN GAS COMPANY
NATURAL GAS
13-MONTH AVERAGE CAPITAL STRUCTURE
JUNE 30, 2010 EARNINGS SURVEILLANCE REPORT

AVERAGE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	53.28%	11.50%	6.13%
LONG TERM DEBT	44.30%	6.28%	2.78%
SHORT TERM DEBT	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	2.42%	0.57%	0.01%
DEFFERED INCOME TAXES	0.00%	0.00%	0.00%
TOTAL	100.00%		8.92%

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION EXHIBIT ___(CM-5)
COST OF CAPITAL SAVINGS CALCULATION

FPUC - INDIANTOWN DIVISION
NATURAL GAS
13-MONTH AVERAGE CAPITAL STRUCTURE
DECEMBER 31, 2011 EARNINGS SURVEILLANCE REPORT

AVERAGE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)
COMMON EQUITY	55.65%	11.50%	6.40%
LONG TERM DEBT	25.87%	6.91%	1.79%
SHORT TERM DEBT	5.72%	1.24%	0.07%
LONG TERM DEBT - REFINANCED	3.15%	6.33%	0.20%
CUSTOMER DEPOSITS	3.36%	6.57%	0.22%
DEFFERED INCOME TAXES	6.25%	0.00%	0.00%
TOTAL	100.00%		8.68%

DIFFERENCE IN AVERAGE ROR	0.24%
RATE BASE AT DECEMBER 31, 2011	$569,879
REQUIRED NET OPERATING INCOME	$1,368
NET OPERATING INCOME MULTIPLIER	1.61970
COST OF CAPITAL SAVINGS	$2,215

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF MARIANA PEREA

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Mariana Perea. I am the Director, Customer Care of Florida Public Utilities Company (the "Company" or "FPUC"). My business address is 1015 6th Street N.W., Winter Haven, Florida 33882.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I attended the University of Hawaii from 1976 to 1979 in the field of Travel Industry Management. I continued my studies at the University of Phoenix where I obtained my Bachelor of Science in Business Management and my Masters of Business Administration in 2009. I spent the first twenty years of my career employed by Mexicana International Airlines in a variety of leadership roles concentrating on customer service and operations. I was engaged by Quest Telecommunications for two years as a Resource Allocation Manager. I moved on to American Express for seven years in the area of Business and Consumer Travel Management. I have been employed with the Company in the capacity of Director, Customer Care for the areas of Florida, Maryland, and Delaware since March 2011.

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

A. As Director, Customer Care, I am responsible for establishing the strategy, goals and objectives for our customer contact centers.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the improvements that the Company has made in the customer service quality. I will describe the strategic goals and objectives of the Company in this area and the initiatives that have been implemented in support of the strategy. I will further describe specific technology improvements and other initiatives that benefit customers. Finally, I will discuss the level of customer complaints to the Commission since the acquisition of Indiantown Gas Company ("IGC" or "Indiantown").

Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?

A. Yes. Exhibit___(MP-1) is a synopsis of the service and culture building process that the Company has implemented.

INCREASED QUALITY OF SERVICE

Q. PLEASE DESCRIBE THE COMPANY'S COMMITMENT TO CUSTOMER SERVICE.

A. The Company's goal is to establish a process to evaluate and implement changes that will result in a positive experience for our customers. This experience is defined as one which results in customers not just being satisfied customers, but results in customers becoming promoters of our Company. "Promoters" are defined as customers who refer potential customers to our Company, creating retention and profitable growth. In order to achieve this positive customer experience, the Company is committed to consistently exceeding our customer's needs during critical touch points. These touch points include, phone calls, walk-in contact, web site visits, billing, energy conservation program, sales & marketing activities, meter turn-on's, leak investigations at the customer premise and other opportunities to interact with customers. The Company has identified, and is implementing, best practices throughout its operational departments that are aligned with the goal of customers becoming promoters. One of the key components that are required to achieve and maintain the goal of providing a positive customer experience is the gathering of critical performance measurements. Prior to the acquisition, this practice was not occurring at IGC. The Company has identified many standard metrics that are critical to determining whether we are moving in the direction of providing a positive customer experience. Based on these metrics, the Company is able to improve processes, enhance employee training programs and better focus collateral material messaging that enables the Company to deliberately provide services that meet and exceed customer expectations. This process encompasses all aspects of the Company, from Customer Care to Sales & Marketing to Operations and Engineering.

Q. PLEASE DESCRIBE THE PROCESS UNDERTAKEN BY THE COMPANY TO IMPROVE THE SERVICE QUALITY TO CUSTOMERS.

A. The Company has developed and implemented a Customer Care strategy with a goal to be recognized as an industry leader in the execution of all meter-to-cash activities, including Contact Center services, while ensuring all processes are designed to deliver a positive customer experience. There are four strategic objectives to the plan: 1) Customer Centric – excellent service to our customers is our number one priority; 2) Consistent Quality – we will provide professional, courteous, timely and accurate service to every customer in a fair, consistent and accessible manner; 3) Efficient and Effective – we will measure and improve work processes by implementing innovative ideas, apply appropriate technology and training staff to be helpful and knowledgeable; and 4) Accountable – we will use feedback from processes and customers to improve our performance.

Q. WHAT ARE THE SPECIFIC INITIATIVES THAT THE COMPANY IS IMPLEMENTING IN SUPPORT OF THE CUSTOMER CARE STRATEGY?

A. The Company has identified five (5) key initiatives that support the Customer Care strategy: 1) Consolidate; 2) Performance Management; 3) Development and Training; 4) Process Improvement; and 5) Technology.

Q. CAN YOU PLEASE DESCRIBE EACH INITIATIVE?

A. Yes. First, the Company needed to consolidate its Customer Care activities organizationally. Prior to the acquisitions of FPUC and IGC, this function was performed at each physical location, under different managers who utilized different practices, resulting in an inconsistent customer service experience. The Company has now consolidated the Customer Care functions in one department, which meets the first objective of having a singular focus on the delivery of meter-to-cash activities efficiently, and in a manner that is easy for the customer and produces high-quality service at a lower cost. Second, the

Company has established standards for each meter-to-cash discipline and the reporting requirements necessary to provide valuable feedback to those employees performing the activity. By establishing these clear standards, the Company is able to measure and manage performance of its employees as we strive to deliver a positive customer experience. Third, the Company has developed and implemented a series of employee training modules, and has hired The Profitable Group to perform that training, which has provided employees with the skills and knowledge necessary to efficiently and effectively perform their assigned activities. Fourth, many employees throughout the Company have been involved in a review of existing processes designed to improve the effectiveness and efficiency of the activities that are performed. As we move forward, feedback from customers and employees and the metrics results will be utilized in a continuous improvement process to move us closer to the strategic objectives of the Customer Care organization. Finally, the Company has made many technology improvements that enhance our ability to provide efficient and effective services to our customers.

Q. CAN YOU ELABORATE ON SOME OF THE TECHONOLOGY IMPROVEMENTS?

A. The Company, since the FPUC acquisition, has implemented the following two technology improvements which provide the foundation for our ability to provide world-class services to all of our customers, including the Indiantown customers:

- Consolidation of Customer Information Systems (CIS); and
- Implementation of New Telephony Technology

Q. CAN YOU DESCRIBE HOW THE CONSOLIDATION OF THE CUSTOMER INFORMATION SYSTEM BENEFITS INDIANTOWN'S CUSTOMERS?

A. In June 2010, the Company integrated the Customer Information Systems of Chesapeake's Florida operations with FPU's system, thus providing a consistent basis from which to operate. In November 2011, the Company completed the integration of all IGC customers into the consolidated CIS system. The current CIS platform allows for the combined company to seamlessly coordinate all Customer Care (customer call centers, billing and collections and meter reading) and field services activities (turn-on's and off's, meter changes, etc) that impact customers. As such, customer inquiries can be handled by virtually any customer representative. Previously, Indiantown customers were required to contact the local Indiantown office for service during normal business hours (8:30 am to 5:30 pm). Now, customers can contact the consolidated call center from 7:00 am to 7:00 pm or the after-hours service during all non-business hours. The consolidation has also allowed the Company to implement best practices, consistent training and, as described below, capture valuable customer service metrics to evaluate our success in providing the perfect customer experience.

Q. HAVE THE INDIANTOWN CUSTOMERS RECEIVED ANY OTHER BENEFITS FROM THEIR INTEGRATION INTO THE CUSTOMER INFORMATION SYSTEM?

A. Yes. The former Indiantown customers now receive a full page bill from the Company, which clearly describes all components of the bill, compares current usage with previous usage and provides other important information. Customers also receive a return envelope to facilitate payments made by check through the mail. Previously, the former Indiantown customers received their bill on a post card sized statement, which contained the minimum required information, with no return envelope. Customers now also have available multiple payment options, including credit and debit cards, electronic funds transfer, payment by phone and, as more fully described below, walk-in payments at a multitude of locations that are available during and after normal business hours and on weekends.

Q. PLEASE DESCRIBE THE BENEFITS INDIANTOWN CUSTOMERS RECEIVE FROM IMPLEMENTING NEW TELEPHONY TECHNOLOGIES.

A. The Company has finalized the installation of state-of-the-art telephone systems that provide for seamless call center activities from agents located throughout the state, as well as, for the first time, having the ability to collect a wide variety of valuable customer call metrics. Information such as call waiting times, call abandonments and recording of actual customer calls provides us with the measurements needed to continuously improve our ability to provide world class customer service. Customer service representatives are continuing to receive intensive training that enhances their knowledge of all Company-offered programs, such as Energy

Conservation programs, and system-based processes that allow for one-call resolution for most contacts.

Q. CAN YOU IDENTIFY AND DESCRIBE OTHER SPECIFIC INDIANTOWN CUSTOMER BENEFITS BEYOND THE TECHNOLOGY-BASED IMPROVEMENTS?

A. Yes. The Company has enhanced the customer experience through a variety of initiatives designed to benefit customers through improved services. The following specific improvements have been implemented:

- More thorough and more effective Employee Training
- Implementation of Third Party Payment Centers
- Utilization of Third Party Providers for Certain Functions

Q. CAN YOU DISCUSS THE EMPLOYEE TRAINING THAT HAS TAKEN PLACE?

A. Yes. The Company has engaged a firm out of Tampa, Florida, The Profitable Group, to provide employee training throughout the Company that is specifically designed to assist in the understanding of the importance of providing quality customer service, thereby enhancing the skill set of employees so that they have the capabilities to provide such service and mechanisms to assist the Company in capturing critical information from customers and others that will provide the basis for continuous improvement. Exhibit___(MP-1) is a synopsis of the service and culture building process that has been initiated by the Company and implemented through The Profitable Group.

Q. PLEASE DISCUSS WHAT THIRD-PARTY PAYMENT OPTIONS THE COMPANY HAS IMPLEMENTED.

A. Recently, the Company executed an agreement with Fiserv, Inc., a global leader in information management and electronic commerce systems and services, to accept utility payments at its network of locations, primarily at over 300 Wal-Mart stores in the state. Additional payment locations are also part of this service arrangement. This is a free service to our customers as the Company pays for any transaction fees imposed by the contract. This diverse and extensive access to payment locations is very convenient for customers and provides all customers, including all Indiantown customers, access to walk-in payment locations. This agreement with Fiserv, Inc. provides for a significant enhancement for customers that desire to pay at a walk-in facility.

Q. HOW HAS THE COMPANY UTILIZED THIRD PARTY PROVIDERS TO ENHANCE SERVICE TO CUSTOMERS?

A. The Company has initiated a comprehensive Dealer Network program that actively recruits, trains and provides continuous support for third party providers, such as plumbing and HVAC companies. These providers are able to perform certain functions that have traditionally been provided by Company personnel, such as turn-key operations from service line installation through meter turn-on. This has resulted in timelier customer connections at a lower cost to the Company.

Q. HOW HAVE THE FORMER INDIANTOWN CUSTOMERS RESPONDED TO THESE SERVICE IMPROVEMENTS?

A. The primary tangible measurement of customer satisfaction is the number of complaints filed with the Commission. Since the acquisition of IGC on July 31, 2010, there have been no complaints filed with the Commission. The Company believes that this is an important indicator that the former Indiantown customers have embraced the changes from the deliberate implementation of the Customer Care strategy, initiative implementations, employee training and other customer service improvements made by the Company.

Q. PLEASE SUMMARIZE THE EFFORTS OF THE COMPANY TO IMPROVE CUSTOMER SERVICE.

A. The Company's Customer Care strategy, described above, is to provide a positive customer experience on a consistent basis. As discussed, the Company believes that it is not enough to have satisfied customers. Instead, the Company believes that a key component of long-term success is to develop the customer relationship to the point where the customer actively promotes the Company to others. In order to achieve the strategy, the Company has implemented several best practices designed to put the Company on a continuous improvement path towards the perfect customer experience. All of these activities are deliberately designed to identify how to create promoters from our customers and to predict what will be required to keep them as promoters in a rapidly changing environment. The Company has implemented an extensive employee training program designed to improve the knowledge and skill sets of employees that provide services to customers. By implementing systems that capture customer information and feedback, the Company will be able to modify the employee training programs and work management processes and procedures that will result in exceeding the needs of our customers. All of these efforts by the Company have clearly resulted in an improved quality of customer service to the former Indiantown Gas Company customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Service & Culture Building Process

The Florida Public Utilities leadership team made a strategic commitment a year ago to dramatically and significantly shift the FPUC culture to one committed to the customers and communities we serve. A key part of those efforts was retaining the services of an Industrial & Organizational Psychologist and Trainer who has invested in-depth time and energy at each of our locations around the state.

The process was intensive. The results are evidenced in comments from both internal and external customers. Employees are actively engaged in improving process flow of customer interactions; and, they report being energized by the tools, support, and commitment the organization has made to improved service levels. Customers at informal touch points (dropping a payment off to a customer care representative or encountering a meter reader in the field) and at formal interactions (Chamber presentations and community meetings) are reporting a marked positive difference in how customers are served.

To briefly highlight the process undertaken to date:

1. Employees at every level of the organization, encompassing all locations, were interviewed one-on-one. The goal was to provide every vested employee with the opportunity to articulate organizational strengths, challenge areas, and obstacles that made serving the customer in an exemplary manner on a consistent basis difficult. Top leadership reviewed results of interviews and made strategic position changes where necessary. New roles were created with the customer in mind. And, a comprehensive culture building process was employed across the organization.
2. The culture building process implemented throughout the organization was a six session process (12 hours of training plus action application assignments). The process covered the following topic areas:
   a. Success Foundations in Service Interactions – Knowledge, Skills, and Attitude.
   b. Understanding Ourselves and Others – A detailed look at our work style with a directed focus on the need for flexibility when working with and serving others.
   c. Communication for Service Excellence – Employees reviewed key communication principles and focused heavily on the importance of 'listening' when interacting with both internal and external customers.
   d. Problem Solving & Conflict Management – Problems will occur; quick, complete, professional recovery is imperative. In this session, participants explored problem solving principles for projects and in tough human interactions.
   e. Stress Management -- A focus on controlling negative stress by focusing on serving others. Key session principles include: Choose Your Attitude; Make the Day for Your Customers; Be Present (Mentally) Each Moment of the Day; Enjoy What You Do (Make a Difference, Take Initiative).
   f. Managing Multiple Priorities – Ensuring a seamless, focused approach to our day. Covering the bases and ensuring priorities are clear.
3. A "Stamp Out Stupid Rules" exercise which was implemented; 83 new ideas were identified to improve customer processes and remove redundant or unworkable policies. Many of the action suggestions have been acted upon and implemented across the organization.

4. Quarterly Follow-up Sessions were delivered to employees to ensure the culture building process and learning created positive interactions with our customers. Quarterly follow-ups delivered to date include:
    a. Value Based Customer Service
    b. Flow Charting Our Customer Process
5. A regular update e-mail reviewing previously delivered concepts and introducing new concepts was sent to participants between scheduled sessions to reinforce desired behaviors.

Additional actions taken by the organization to date include:

- Identification of core driving values: Initiative, Customer-Centric, Integrity, Safety, Stewardship.
- A Customer-Centric task force made up of top leaders and frontline employees throughout the organization. Five task force groups have currently been identified.
- On-going customer service training through internal and external sources providing a solid service excellence delivery platform.
- Creation of a Quality Assurance Supervisor to monitor, coach, and develop strong customer service advocates in all customer care centers as well as address customer needs.