State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Public Utilities Company – Indiantown Division
Surveillance Audit

Twelve Months Ended December 31, 2012

Docket No. 120311-GU
Audit Control No. 13-121-4-1
August 7, 2013

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated April 29, 2013. We have applied these procedures to the attached schedules prepared by Florida Public Utilities Company – Indiantown Division in support of its December 2012 Earnings Surveillance Report.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The term "Utility" used within this report refers to Florida Public Utilities Company – Indiantown Division.

The term "FPUC" refers to Florida Public Utilities Company.

The term "CUC" refers to Chesapeake Utilities Corporation, the holding company for Florida Public Utilities Company.

The term "IGC" refers to Indiantown Gas Company before its acquisition by FPUC on August 6, 2010.

Background

On October 28, 2009, Chesapeake Utilities Corporation (Chesapeake) and Florida Public Utilities Company (FPUC) announced their corporate merger, whereby the electric and gas utilities of FPUC became a wholly owned subsidiary of Chesapeake. On November 5, 2009, pursuant to Rule 25-9.044(1), F.A.C., Chesapeake notified the Florida Public Service Commission of its acquisition of FPUC. On August 6, 2010, FPUC acquired Indiantown Gas Company.

Docket 120311-GU was established to determine whether a positive acquisition adjustment is necessary in the acquisition of Indiantown Gas Company by Florida Public Utilities Company. As part of this investigation, we were asked to review the operation and maintenance expenses for the 12 months ended June 30, 2010, which was the last full year before the acquisition, 12 months ended December 31, 2011, and 12 months ended December 31, 2012, Earnings Surveillance Reports, and the rate base and net operating income schedules for the December 31, 2012 Earnings Surveillance Report (ESR).

Rate Base

Utility Plant in Service

Objectives: The objective was to determine whether the Utility Plant in Service amount in the 2012 ESR was properly recorded.

Procedures: We scheduled plant in service balances using the undocketed 2010 Transfer of Assets audit (Audit Control No. 10-295-4-1) and the trial balance additions for August 1, 2010, through December 31, 2012. We selected plant in service additions to test and reconciled them to actual invoices. We traced the common plant allocation to the FPUC general ledger and obtained support for the allocation methodology. We recalculated the 13-month average balance and compared both the year end and average balances to the December 31, 2012 balance in the ESR. Finding 1 discusses additions in 2012 which were not recorded until 2013.

Land & Land Rights

Objectives: The objective was to determine whether utility land is representative of the utility's books and records for the period ended December 31, 2012.

Procedures: We noted that there were no new additions to land since the last Indiantown rate case in Docket 030954-GU, and the undocketed FPUC Transfer of Asset audit completed in 2010. No exceptions were noted.

Accumulated Depreciation and Amortization

Objectives: The objective was to determine whether the accruals to accumulated depreciation and amortization were properly recorded and calculated using the Commission's authorized rates.

Procedures: We scheduled accumulated depreciation using the beginning balance from the undocketed 2010 Transfer of Assets audit and calculated accumulated depreciation for August 1, 2010 through 2012 using the rates in Commission Order No. PSC-09-0328-PAA-GU, issued May 11, 2009 as a result of a 2008 depreciation study. We reconciled this amount to the Utility ledgers. We reviewed the Utility's accumulated depreciation to insure that retirements were made when capital items were replaced. We traced the common accumulated depreciation allocation to the FPUC general ledger and obtained support for the allocation methodology. We recalculated the 13-month average balances and compared both, the year end and average balances, to the December 31, 2012, balances in the ESR. Finding 8 discusses accumulated depreciation.

Working Capital

Objectives: The objective was to determine whether the Utility's working capital balance was properly calculated.

Procedures: We determined the Utility's 13-month average working capital balance as of December 31, 2012, using the balance sheet approach and compared it to the December 31, 2012 balance in the ESR. The components were reconciled to the general ledger. Finding 2 discusses an account balance that was included in error.

Net Operating Income

Operating Revenue

Objectives: The objective was to determine whether utility revenues in the December 31, 2012 ESR were properly recorded in compliance with Commission rules and were based on the Utility's Commission approved tariff rates.

Procedures: We scheduled revenues by type from the 2012 general ledger and reviewed the ledger for additional revenues. We reconciled the ledger to the December 31, 2012 ESR. We reconciled the ESR revenue adjustments to source documents and the general ledger. Customer bills were recalculated. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objective was to determine whether operation and maintenance expenses for the 12 months ended June 30, 2010, December 31, 2011, and December 31, 2012 were properly recorded in compliance with Commission rules and representative of utility operations.

Procedures: We reconciled the June 30, 2010 Earnings Surveillance Report to the general ledger of Indiantown Gas Company before the transfer to FPUC. We determined the recorded payroll, sampled charges to expenses, and traced them to supporting documentation. Finding 3 discusses the expense error in the 2010 ESR. Finding 4 discusses the allocated costs.

We reconciled the 2011 ledger to the December 31, 2011 ESR. We compared the 2011 costs to 2012 and selected a sample of expenses from accounts with large differences and traced the sample to supporting documentation. Finding 5 discusses the 2011 expenses.

We reconciled the 2012 ledger to the December 31, 2012 ESR. We determined the portion of the accounts that had been allocated from other divisions. We compared the costs charged to the Utility to the total allocable costs for the divisions for reasonableness. We reviewed all divisions to determine if the 2012 ESR included all costs of operation so that the June 30, 2010 ESR before the sale and the December 31, 2012 ESR would be comparable. Allocated costs were tested in the FPUC Gas and Electric Division Conservation Audits in Dockets 130002-EG and 130004-GU. We selected a sample of direct costs to the Utility and traced them to supporting documentation. Finding 6 discusses the division costs not charged. Finding 7 discusses expenses that may not be re-occurring.

Depreciation and Amortization

Objectives: The objectives were to determine whether depreciation and amortization expense in the December 31, 2012 ESR were properly recorded in compliance with Commission rules and that they accurately represent the depreciation of assets and the amortization of deferred assets from Utility operations.

Procedures: We scheduled plant in service and calculated depreciation expense 2012 using the rates in Commission Order No. PSC-09-0328-PAA-GU and compared the result to the ledger and 2012 ESR. Finding 9 discusses common plant depreciation expense not recorded.

Taxes Other than Income

Objectives: The objective was to determine whether Taxes Other Than Income in the December 31, 2012 ESR were properly stated.

Procedures: We reconciled taxes other than income expenses from the December 31, 2012 ESR to the general ledger. We recalculated the 2012 regulatory assessment fee returns and reconciled the revenues to the ledger. No exceptions were noted.

Capital Structure

Cost of Capital

Objectives: The objective was to determine whether the cost of capital in the December 31, 2012 ESR was representative of the Utility's books.

Procedures: We determined the 13-month average balances for the components of cost of capital for the direct and allocated capital structures using the Utility's and CUC books and reconciled to the December 31, 2012 ESR. We reconciled the cost rates to source documentation and recalculated the cost of capital schedule. No exceptions were noted.

Short Term Debt

Objectives: The objectives were to determine whether short-term debt balances represent actual obligations of the utility and that they were properly recorded in compliance with the Uniform System of Accounts (USoA), and to recalculate the 13-month average balance for short-term debt as of December 31, 2012.

Procedures: We reconciled the short-term debt balance to the CUC 13-month balance sheet. We recalculated the average cost rate and the 13-month average balance for short-term debt in the surveillance report. We reconciled the short-term debt as of December 2012 to the balance noted in the audited 2012 Chesapeake Annual Report. No exceptions were noted

Long Term Debt

Objectives: The objectives were to determine whether long-term debt balances in the December 31, 2012 ESR represent actual obligations of the utility and that they are properly recorded in compliance with the USoA, and, to recalculate the 13-month average balance for long-term debt as of December 31, 2012.

Procedures: We reconciled the long-term debt balance to the CUC 13-month balance sheet. We reconciled the long-term debt as of December 2012 to the balance noted in the audited 2012 Chesapeake Annual Report. No exceptions were noted

Customer Deposits

Objectives: The objectives were to determine whether customer deposit balances in the December 31, 2012 ESR were representative of the books and records, were properly recorded in compliance with the USoA, and to recalculate the 13-month average balance as of December 31, 2012.

Procedures: We reconciled the customer deposit balance to the 2012 general ledger. We reviewed Commission Rule 25-7.038, F.A.C. and determined that the utility's interest rates fall between the old rates and the new rates effective July 26, 2012.

We recalculated the average cost rates and the 13-month average balance for customer deposits included in the surveillance report. No exceptions were noted.

Other

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's plant in service and O&M expenses.

Procedures: We performed a trend analysis on plant in service accounts and for O&M expenses. Accounts that exhibited substantial changes, as determined by the auditor, were randomly selected for additional review. No exceptions were noted.

<u>Audit Findings</u>

Finding 1: Utility Plant in Service

Audit Analysis: During the testing of 2012 additions, we determined that an invoice dated April 12, 2012 for $31,864 for electrical installation at the Indiantown Northgate Station was not included in the 2012 general ledger. The Utility stated that this invoice was for 2012, but was not transferred until 2013. The effect on the 13-month average of plant in service is $22,060 and is computed in the schedule below.

Month	Amount
Dec-11	
Jan-12	
Feb-12	
Mar-12	
Apr-12	$ 31,864
May-12	$ 31,864
Jun-12	$ 31,864
Jul-12	$ 31,864
Aug-12	$ 31,864
Sep-12	$ 31,864
Oct-12	$ 31,864
Nov-12	$ 31,864
Dec-12	$ 31,864
Total	$ 286,776
13-Month Average	$ 22,060

Accumulated depreciation was computed using 3.7% and is calculated in the schedule below.

Month	Plant Amount	Accumulated Depreciation
Dec-11		
Jan-12		
Feb-12		
Mar-12		
Apr-12	$ 31,864	$ (98)
May-12	$ 31,864	$ (196)
Jun-12	$ 31,864	$ (295)
Jul-12	$ 31,864	$ (393)
Aug-12	$ 31,864	$ (491)
Sep-12	$ 31,864	$ (589)
Oct-12	$ 31,864	$ (688)
Nov-12	$ 31,864	$ (786)
Dec-12	$ 31,864	$ (884)
Total	$ 286,776	$ (4,421)
13-Month Average	$ 22,060	$ (340)

Effect on the General Ledger: No adjustment is needed to the ledger since it was corrected in 2013.

Effect on the Filing: Year-end plant should be increased by $31,864 and accumulated depreciation increased by $884 for a net increase in rate base of $30,980. Average plant should be increased by $22,060 and accumulated depreciation by $340 for a net increase in rate base of $21,720. Depreciation expense should be increased by $884.

Finding 2: Working Capital

Audit Analysis: Audit staff reviewed all components of working capital. We were unable to reconcile the $97,844 on the 2012 Surveillance Report to the Utility's books because the Utility inadvertently included a balance for prepaid federal income tax of ($36,033) in its calculation of working capital that was not in the ledger. The actual account balance for the prepaid federal income tax was included on the schedule used to compute working capital in another account. Therefore, the working capital in the average ESR was understated by $36,033.

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: Average working capital in the ESR should be increased by $36,033.

Finding 3: June 30, 2010 ESR Expenses

Audit Analysis: The total of operation and maintenance expenses in the June 30, 2010 ESR was $522,308. According to the ledgers, the July 1, 2009 through June 30, 2010 expenses were $468,822.48, a difference of $53,485.52. The ESR was overstated because the Utility calculated the $522,308 using 13 months of expenses from June 1, 2009 to June 30, 2010.

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: June 30, 2010 expenses should be reduced by $53,485.52.

Finding 4: June 30, 2010 Allocated Costs

Audit Analysis: Payroll and other costs were allocated to natural gas accounts from IGC's propane division. The total costs allocated in the June 30, 2010 ESR for the billing representative and the two service representatives were $180,048.50. The actual salaries were $114,578 for the three employees performing these functions. According to IGC, the non-regulated company was hired to perform services at a set rate per month for all services needed. This included compliance, safety, customer service, billing, accounts payable, accounts receivable, and emergency after hour calls, using operator qualified technicians. It included their operator qualification, worker's compensation, health insurance, and liability insurance. All of these items were included in the $180,048.50 allocation.

An additional $120,000 was charged directly to IGC for the administrative and general salaries of the owners. Payroll taxes and employee benefits were charged separately in the IGC ledger for the direct administrative and general salaries.

In a rate case proceeding, the actual costs of the affiliate company would have been obtained and allocated between natural gas operations and other operations. We were unable to obtain this level of detail from IGC. The allocations included in natural gas operations may have been reduced in a rate case to charge more to the propane division.

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: Additional expense reductions may have been made if the allocations included in the June 30, 2010 ESR were audited for a rate case proceeding.

Finding 5: 2011 Expenses

Audit Analysis: The following items were found during our review of the 2011 expenses.

Account 912 - Demonstrating and Selling Expenses included $785 for Indiantown Chambers of Commerce enrollment and $450 for sponsorship of the Indiantown Chambers of Commerce Breakfast Meeting.

Account 913 - Advertising included an allocation $600 of the $1,000 Chambers of Commerce sponsorship fee for each the Indiantown Motorcycle Rally & Rod Show and Golf Tournament. These events include entrance tickets, meals, and golf, in addition to booth space for company advertising. Also, the Utility paid $500 to YMCA's Children Art Auction for children artwork of their company logo. The fee to inform and advertise about energy saving is separate from the artwork.

Account 923 - Outside Services included a write-off of merger costs of $12,788.04. These costs included the title search fee, recording fees, and legal fees. These costs are not a re-occurring expense.

Account 904 – Uncollectible Accounts included bad debt accruals of $5,000 in expenses in the 2011 ESR. The accrual for 2011 includes all accounts receivables over 60 days and does not estimate how much of this bad debt is likely to be recovered. The June 30, 2010 uncollectible expense was $552. However, the $5,000 is less than one-percent of total revenues for the year ended 2011.

Effect on the General Ledger: This finding is for informational purposes only.

Effect on the Filing: This finding is for informational purposes only.

Finding 6: 2012 Divisions Not Allocated

Audit Analysis: In reviewing all CUC divisions to determine if the department provided service to the Utility, we determined that some divisions were not allocated to the Utility. The FPUC Safety Division (SM711) and the Dover IT Support groups (IT805, IT806, and IT807) were not allocated to the Utility. The following schedule shows the allocation necessary. Customer allocations for Florida were used for the safety division and total company for the Dover IT allocations.

Division	Allocated Costs	Customer Allocation	Amount to Indiantown
SM711	$ 672,453.16	0.430%	$ 2,891.55
IT805	$ 570,368.25	0.349%	$ 1,990.59
IT806	$ 642,343.40	0.349%	$ 2,241.78
IT807	$ 166,524.42	0.349%	$ 581.17
	$ 2,051,689.23		$ 7,705.08

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: Operation and maintenance expense in 2012 should be increased by $7,705.08.

Finding 7: 2012 Expenses That Are Non-recurring

Audit Analysis: In our review of 2012 expenses, we determined that some items totaling $52,265.53 would be non-recurring and would be removed from the test year or amortized if this were a rate case. They are:

Bad debt write-off	$22,260.01
Contract with Geoffroy/Crystal Key Resources for consulting in this docket	$20,000.00
Environmental Clean-up Contract	$ 6,073.00
CSX Railroad Transfer of Easement	$ 3,932.52
	$52,265.53

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: This finding is for informational purposes only.

Finding 8: Accumulated Depreciation

Audit Analysis: We recalculated accumulated depreciation and determined there was a difference between the booked amount and our recalculation. As a result, the Utility has determined that they recorded the following errors in depreciation:

The Utility booked ($21,216.45) to Accumulated Depreciation in 2010 but it should have recorded (17,005.73)	$ 4,210.72
The Utility recorded an extra month of expense in May 2011	$ 2,976.00
The Utility recorded $1,766 for the addition to account 378 in 2011. Using average monthly depreciation, the depreciation should have been $1,984.42	$ (208.42)
The Utility recorded $5,133 for account 376 depreciation in 2011 and it should have recorded $4,740	$ 393.16
Net Overstatement of Accumulated Depreciation	$ 7,371.46

There is no effect on depreciation expense since the errors were in 2010 and 2011. The revised balances for accumulated depreciation by plant account follow:

ACCOUNT NUMBER	ACCOUNT TITLE	12/31/12 ADJUSTED BALANCE	13-MONTH AVERAGE ACC. DEP.
376.11	A/D MAINS PLASTIC	$ (115,552.85)	$ (112,472.13)
376.17	A/D MAINS STEEL	$ (267,341.73)	$ (263,228.02)
376.22	A/D MAIN REPLACEMENT	$ 1,924.07	$ 1,924.07
378.1	A/D MEAS. & REG.	$ (27,193.05)	$ (23,595.41)
380.1	A/D SERVICES	$ (58,624.88)	$ (58,624.88)
380.1	A/D SERVICES	$ (10,063.07)	$ (7,981.06)
381.1	A/D METERS	$ (34,833.35)	$ (33,212.63)
382.1	A/D METER INSTALLATION	$ (4,547.18)	$ (4,310.30)
383.1	A/D REGULATORS	$ (8,054.63)	$ (7,719.42)
385.1	A/D MEAS. & REG.	$ (74,926.37)	$ (73,283.45)
390.2	A/D STRUCTURES	$ (59,554.17)	$ (57,577.37)
391.1	A/D COMPUTER EQUIPMENT	$ (7,094.36)	$ (6,446.24)
391.1	A/D OFFICE FURNITURE	$ (17,025.09)	$ (16,372.40)
394.1	A/D TOOLS AND EQ.	$ (567.00)	$ (257.92)
396.1	A/D POWER OP. EQUIP.	$ (12,093.64)	$ (11,236.63)
399.1	A/D COMPUTER SOFTWARE	$ (16,308.92)	$ (14,952.88)
398.1	A/D MISC. EQ.	$ (9,580.74)	$ (8,973.45)
397.1	A/D COMMUNICATIONS	$ -	$ -
	TOTAL INDIANTOWN ACC. DEP.	$ (721,436.96)	$ (698,320.12)
	COMMON PLANT ACCUMULATED DEPRECIATION	$ (24,450.00)	$ (24,204.54)
	TOTAL ACC. DEPRECIATION STAFF	$ (745,886.96)	$ (722,524.66)

Effect on the General Ledger: The following entry should be made:

Account Number	Account Title	Debit	Credit
108	Accumulated Depreciation	$ 7,371.46	
215	Retained Earnings		$ 7,371.46

Effect on the Filing: Average and year-end accumulated depreciation should be reduced (debited) by $7,371.

Finding 9: Depreciation Expense

Audit Analysis: The Utility included an allocation of common plant and common accumulated depreciation in its 2012 ESR. However, it did not include the allocation of depreciation expense. The allocation of common depreciation expense based on the annual report calculation is $3,214.

Effect on the General Ledger: There is no effect on the ledger since the allocation is done only for the filing.

Effect on the Filing: Depreciation expense should be increased by $3,214.

Exhibits

Exhibit 1: 2012 Average Rate Base

FLORIDA PUBLIC UTILITIES COMPANY
INDIANTOWN DIVISION
AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2012
RATE BASE

SCHEDULE 2
PAGE 1 OF 2

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	$2,046,601	($729,877)	$1,316,724	$0	$0	$1,316,724	$97,844	$1,414,568
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	$1,300,801	($729,877)	$570,924	$0	$0	$570,924	$97,844	$668,768
COMP RATE ADJ REVENUES	$0	$0	$0	$0	$0	$0	$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUE	$1,300,801	($729,877)	$570,924	$0	$0	$570,924	$97,844	$668,768
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	$745,800	($145,013)	$600,787	$0	$0	$600,787	$0	$600,787
TRANSACTION & TRANSITION COSTS	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL PRO FORMA ADJUSTMENTS	$745,800	($145,013)	$600,787	$0	$0	$600,787	$0	$600,787
PRO FORMA ADJUSTED	$2,046,601	($874,890)	$1,171,711	$0	$0	$1,171,711	$97,844	$1,269,555

Exhibit 2: 2012 Income Statement

FLORIDA PUBLIC UTILITIES COMPANY
INDIANTOWN DIVISION
AVERAGE RATE OF RETURN
FOR THE THIRTEEN MONTHS ENDED 12/31/2012
INCOME STATEMENT

SCHEDULE 2
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	$651,724	$4,264	$324,647	$40,545	$8,970	$105,288	$0	$0	$0	$483,712	$168,012
FPSC ADJUSTMENTS:											
1) Interest Synchronization						($4,083)				($4,083)	$4,083
2) Natural Gas Allocation Adjustment			$63,316			($24,424)				$38,892	($38,892)
3) Elimination of Rev Related Taxes (PSC)	($3,174)	($3,174)				$0				($3,174)	$0
4) Elimination of Conservation Rev & Exp	($6,020)	($1,090)			($30)	($1,890)				($3,010)	($3,010)
5) Income Tax Effective Rate Adjustment						$121				$121	($121)
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
						$0				$0	$0
TOTAL FPSC ADJUSTMENTS	($9,194)	($4,264)	$63,316	$0	($30)	($30,277)	$0	$0	$0	$28,745	($37,939)
FPSC ADJUSTED	$642,530	$0	$387,963	$40,545	$8,940	$75,009	$0	$0	$0	$512,457	$130,073
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$642,530	$0	$387,963	$40,545	$8,940	$75,009	$0	$0	$0	$512,457	$130,073
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	$642,530	$0	$387,963	$90,265	$8,940	$55,830	$0	$0	$0	$542,998	$99,532

Exhibit 3: 2011 Income Statement

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

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	$813,342	$3,095	$283,359	$39,071	$8,068	$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	$813,342	$3,095	$334,515	$39,071	$8,068	$83,939	$0	$0	$0	$466,687	$146,655
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	$0					$0				$0	$0
ADJUSTED FOR COMP RATE ADJ REVENUES	$813,342	$3,095	$334,516	$39,071	$8,068	$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	$813,342	$3,095	$334,516	$88,791	$8,068	$64,759	$0	$0	$0	$497,227	$116,115

Exhibit 4: June 30, 2010 Income Statement

INDIANTOWN GAS COMPANY

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

SCHEDULE 2
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	(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) Clearing 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 Expenses			$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	($18,829)
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	($18,829)
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	($18,829)