

March 31, 2017

VIA HAND DELIVERY

Mr. Andrew Maurey, Director Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 ZOIT MAR 31 PM 4: 00

ACCOUNTINE & FINANCE

Re: Florida Public Utilities Company (Electric and Gas Divisions) 4th Quarter/Year End 2016 Surveillance Reports

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3) and 25-7.1352(3), F.A.C., Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation hereby submits the original and four copies of the required Year End Earnings Surveillance Reports for 2016.

As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

Beth Keating

Gunster, Yoakley & Stewart, P.A. 215 South Monroe St., Suite 601

Tallahassee, FL 32301

(850) 521-1706

cc:

Bart Fletcher

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC RATE OF RETURN REPORT SUMMARY December 31, 2016

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 2,723,378	\$133,175	\$2,856,553	\$0	\$2,856,553
AVERAGE RATE BASE	\$67,398,711	(\$2,813,018)	\$64,585,693	<u> </u>	\$64,585,693
AVERAGE RATE OF RETURN	4.04%		4.42%		4.42%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$2,723,378	\$130,276	\$2,853,654	\$0	\$2,853,654
YEAR-END RATE BASE	\$75,034,598	(\$3,915,132)	\$71,119,466	\$0	\$71,119,466
YEAR-END RATE OF RETURN	3,63%		4.01%		4.01%
		IV. FINAN	CIAL INTEGRITY INDICATORS		
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE			TH AFUDC	5,03	
(FPSC ADJUSTED BASIS)		B. TIE WIT	THOUT AFUDC	5.03	
LOW	5.03%	C. AFUDO	TO NET INCOME	0.00	
MIDPOINT	5.43%	D INTER	NALLY GENERATED FUNDS	61.09	
HIGH	5.84%			20,50	
			TOTAL INVESTOR FUNDS		
		F. STD TO	TOTAL INVESTOR FUNDS	24.63	
		G. RETUR	N ON COMMON EQUITY	7.75	

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.

Mike Cassel

Director- Regulatory Affairs

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431/17

Date

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC

AVERAGE RATE OF RETURN
For the 12 Months Ending December 31, 2016

RATE BASE

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) PLANT IN SERVICE	(4) NET PROPERTY HELD FOR FUTURE USE	(S) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$115,398,265	(\$\$8,638,462)	\$56,759,803	\$0	\$4,131,769	\$60,891,572	\$6,507,139	\$67,398,711
FPSC ADJUSTMENTS:								
1) ELIM. NON UTILITY PLANT 2) REGULATORY LIAB - PENSION AMORT 3) REGULATORY ASSET - LITIGATION COSTS 4) ELIMINATE NET UNDERRECOVERY 5) ADJUST TAX STEP UP TO STIPULATION 6) DEFERRED RATE CASE EXPENSE TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0 \$0 \$0 \$0	\$0	\$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 (\$0) (\$2,486,775) \$0 (\$326,243) (\$2,813,018)	\$0 \$0 \$0 (\$0) (\$2,486,775) \$0 (\$326,243) (\$2,813,018)
FPSC ADJUSTED	\$115,398,265	(\$58,638,462)	\$56,759,803	\$0	\$4,131,769	\$60,891,572	\$3,694,121	\$64,585,693
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$115,398,265	(\$58,638,462)	\$56,759,803	\$0	\$4,131,769	\$60,891,572	\$3,694,121	\$64,585,693
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$115,398,265	(\$\$8,638,462)	\$56,759,803	\$0	\$4,131,769	\$60,891,572	\$3,694,121	\$64,585,693

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN

For the 12 Months Ending December 31, 2016 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	OPERATING	O & M FUEL	O & M OTHER	DEPREC. &	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
	REVENUES	EXPENSE	OTHER	AMORTIZATION	THAN INCOME	CORRENT	INCIT	(NEI)	DISFOSITION	EXPENSES	INCOME
PER BOOKS	\$ 90,088,413	\$ 63,248,854	\$ 11,837,818	\$ 3,774,660	\$ 7,089,867	\$ 1,413,836				\$ 87,365,035	\$ 2,723,378
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT						\$ (141,787)				\$ (141,787)	\$ 141,787
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (62,438,988)	\$ (62,378,340)			\$ (46,715)	\$ (5,375)				\$ (62,430,430)	\$ (8,558)
3) ELIMINATE CONSERVATION	\$ (871,228)	\$ (870,514)			\$ (627)	\$ (34)				\$ (871,174)	\$ (54)
4)NON-UTILITY DEPRECIATION EXPENSE				\$ -		\$ -				\$ - \$ -	\$ -
						\$ - \$ -				\$ - \$ -	\$ - \$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
TOTAL FPSC ADJUSTMENTS	\$ (63,310,216)	\$ (63,248,854	\$ -	\$ -	\$ (47,342)	\$ (147,195)	\$ -	\$ -	\$ -	\$ (63,443,391)	\$ 133,175
FPSC ADJUSTED	\$ 26,778,197	\$ -	\$ 11,837,818	\$ 3,774,660	\$ 7,042,525	\$ 1,266,641	\$ -	\$ -	\$ -	\$ 23,921,644	\$ 2,856,553
PRO FORMA ADJUSTMENTS											
										\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PRO FORMA ADJUSTED	\$26,778,197	\$0	\$11,837,818	\$3,774,660	\$7,042,525	\$1,266,641	\$0	\$0	\$0	\$23,921,644	\$2,856,553

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FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending December 31, 2016 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	\$124,856,969	(\$60,446,833)	\$64,410,137	\$0	\$1,152,199	\$65,562,335	\$9,472,263	\$75,034,598
FPSC ADJUSTMENTS:								
1) ELIM. NON UTILITY PLANT 2) OUT OF PERIOD LITIGATION ADJ 3) ELIMINATION OF UNDER-RECOVERY 4) DEFERRED RATE CASE EXPENSE	\$0	\$0	\$0			\$0 . \$0 \$0 \$0	(\$0) (\$3,637,827) (\$277,305)	\$0 (\$0) (\$3,637,827) (\$277,305)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$3,915,132)	(\$3,915,132)
FPSC ADJUSTED	\$124,856,969	(\$60,446,833)	\$64,410,137	\$0	\$1,152,199	\$65,562,335	\$5,557,131	\$71,119,466
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$124,856,969	(\$60,446,833)	\$64,410,137	\$0	\$1,152,199	\$65,562,335	\$5,557,131	\$71,119,466
PROFORMA ADJUSTMENTS								\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 \$0
PRO FORMA ADJUSTED	\$124,856,969	(\$60,446,833)	\$64,410,137	\$0	\$1,152,199	\$65,562,335	\$5,557,131	\$71,119,466

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending December 31, 2016 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	OPERATING REVENUES	O & M FUEL EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D.I.T. (NET)	I.T.C. (NET)	ON DISPOSITION	OPERATING EXPENSES	OPERATING INCOME
PER BOOKS	\$ 90,088,413	\$ 63,248,854	\$ 11,837,818	\$ 3,774,660	\$ 7,089,867	\$ 1,413,836				\$ 87,365,035	\$ 2,723,378
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4) NON-UTILITY DEPRECIATION EXPENSE	\$ (62,438,988) \$ (871,228)	\$ (62,378,340) \$ (870,514)		s -	\$ (46,715) \$ (627)	\$ (138,887) \$ (5,375) \$ (34) \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -				\$ (138,887) \$ (62,430,430) \$ (871,174) \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ 138,887 \$ (8,558) \$ (54) \$ - \$ - \$ - \$ - \$ - \$ - \$ -
						\$ - \$ -				\$ - \$ -	\$ - \$ -
TOTAL FPSC ADJUSTMENTS	\$ (63,310,216)	\$ (63,248,854)	\$ -	\$ -	\$ (47,342)	\$ (144,296)	\$ -	\$ -	\$ -	\$ (63,440,492)	\$ 130,276
FPSC ADJUSTED	\$ 26,778,197	\$ -	\$ 11,837,818	\$ 3,774,660	\$ 7,042,525	\$ 1,269,540	\$ -	\$ -	\$ -	\$ 23,924,543	\$ 2,853,654
PRO FORMA ADJUSTMENTS											
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PRO FORMA ADJUSTED	\$26,778,197	\$0	\$11,837,818	\$3,774,660	\$7,042,525	\$1,269,540	\$0	\$0	\$0	\$23,924,543	\$2,853,654

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC CAPITAL STRUCTURE December 31, 2016 FPSC ADJUSTED BASIS

							LO	W POINT	MI	DPOINT	HIC	H POINT
_	ADJUSTMENTS					1	COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
										1		COST
PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	5PECIFIC .	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
\$27,579,212		\$27,579,212	(\$1,543,474)		\$26,035,738	40.31%	9.25%	3.73%	10.25%	4.13%	11.25%	4.54%
\$8,889,856		\$8,889,856	(497,522)		\$8,392,334	12.99%	4.93%	0.64%	4.93%	0.64%	4.93%	0.64%
\$12,379,698		\$12,379,698	(692,832)		\$11,686,866	18.10%	1.52%	0.28%	1.52%	0.28%	1.52%	0.28%
\$1,414,980		\$1,414,980	(79,190)		\$1,335,790	2.07%	12.46%	0.26%	12.46%	0.26%	12.46%	0.26%
\$0		\$0	\$0		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$3,202,898		\$3,202,898			\$3,202,898	4.96%	2.33%	0.12%	2.33%	0.12%	2.33%	0.12%
\$13,932,068		\$13,932,068			\$13,932,068	21.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$0		\$0			\$0	0.00%	4.91%	0.00%	5.31%	0.00%	5.72%	0.00%
\$67,398,712	\$0	\$67,398,712	(\$2,813,017)	\$0	\$64,585,694	100.00%		5.03%		5.43%		5.84%
	\$8,889,856 \$12,379,698 \$1,414,980 \$0 \$3,202,898 \$13,932,068 \$0	\$27,579,212 \$8,889,856 \$12,379,698 \$1,414,980 \$0 \$3,202,898 \$13,932,068 \$0	PER BOOKS NON-UTILITY ADJUSTED BOOKS \$27,579,212 \$27,579,212 \$8,889,856 \$8,889,856 \$12,379,698 \$12,379,698 \$1,414,980 \$1,414,980 \$0 \$0 \$3,202,898 \$3,202,898 \$13,932,068 \$13,932,068 \$0 \$0	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA \$27,579,212 \$27,579,212 (\$1,543,474) \$8,889,856 \$8,889,856 (497,522) \$12,379,698 \$12,379,698 (692,832) \$1,414,980 \$79,190} \$0 \$0 \$0 \$3,202,898 \$3,202,898 \$13,932,068 \$13,932,068 \$0 \$0	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC \$27,579,212 \$27,579,212 (\$1,543,474) \$8,889,856 (497,522) \$12,379,698 (692,832) \$1,414,980 \$79,190) \$0 \$0 \$0 \$0 \$0 \$0 \$3,202,898 \$3,202,898 \$3,202,898 \$13,932,068 \$13,932,068 \$0	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE \$27,579,212 \$27,579,212 \$1,543,474 \$26,035,738 \$8,889,856 \$8,889,856 \$497,522 \$8,392,334 \$12,379,698 \$12,379,698 \$692,832 \$11,686,866 \$1,414,980 \$79,190 \$1,335,790 \$0 \$0 \$0 \$0 \$3,202,898 \$3,202,898 \$3,202,898 \$13,932,068 \$13,932,068 \$13,932,068 \$0 \$0 \$0	PER BOOKS NON-UTILITY ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO (%) \$27,579,212 \$27,579,212 (\$1,543,474) \$26,035,738 40.31% \$8,889,856 \$8,889,856 (497,522) \$8,392,334 12.99% \$12,379,698 \$12,379,698 (692,832) \$11,686,866 18.10% \$1,414,980 \$79,190) \$1,335,790 2.07% \$0 \$0 \$0 \$0 0.00% \$3,202,898 \$3,202,898 \$3,202,898 4.96% \$13,932,068 \$13,932,068 \$13,932,068 21.57% \$0 \$0 \$0 0.00%	ADJUSTMENTS ADJUSTED BOOKS PRO-RATA SPECIFIC BALANCE RATIO (%)	PER BOOKS NON-UTILITY BOOKS PRO-RATA SPECIFIC BALANCE RATIO (%) (%) (%) (%) (%) (%) (%) (%) (%) (%)	ADJUSTMENTS	ADJUSTMENTS	ADJUSTMENTS

-					-			LOV	V POINT	M	DPOINT	HIG	H POINT
	_	ADJUSTMENTS						COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
			ADJUSTED				RATIO	RATE	COST	RATE	COST	RATE	COST
YEAR-END	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
									1				
COMMON EQUITY	\$31,314,654		\$31,314,654	(2,192,985)	\$0	\$29,121,669	40.95%	9.25%	3.79%	10.25%	4.20%	11.25%	4.61%
LONG TERM DEBT - CU	\$8,553,947		\$8,553,947	(599,038)		\$7,954,909	11.19%	5.12%	0.57%	5.12%	0.57%	5.12%	0.57%
SHORT TERM DEBT	\$14,573,329		\$14,573,329	(1,020,579)		\$13,552,750	19.06%	1.30%	0.25%	1.30%	0.25%	1.30%	0.25%
LONG TERM DEST - FC	\$1,464,063		\$1,464,063	(102,529)		\$1,361,534	1.91%	12.35%	0.24%	12.35%	0.24%	12.35%	0.24%
SHORT TERM DEST - REFINANCED LTD	\$0		\$0	-		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,210,211		\$3,210,211			\$3,210,211	4.51%	2.33%	0.11%	2.33%	0.11%	2.33%	0.11%
DEFFERED INCOME TAXES	\$15,918,394		\$15,918,394			\$15,918,394	22.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	4.85%	0.00%	5.26%	0.00%	5.67%	0.00%
TOTAL YEAR-END	\$75,034,598	\$0	\$75,034,598	(\$3,915,132)	\$0	\$71,119,466	100.00%		4.96%		5.37%		5.78%