

May 15, 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

Re: Florida Public Utilities Company (Electric and Gas Divisions) 1st Quarter 2017 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 hereby submits the original and four copies of the required 1st Quarter Earnings Surveillance Reports for 2017.

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

Sincerely,

Beth Keating

Gunster, Yoakley & Stewart, B.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 March 31, 2017

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	\$ 2,438,768	\$57,820	\$2,496,588	\$0	\$2,496,588
AVERAGE RATE BASE	\$69,651,971	(\$3,448,830)	\$66,203,141	\$0	\$66,203,141
AVERAGE RATE OF RETURN	3.50%		3.77%		3.77%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$2,438,768	\$59,179	\$2,497,947	\$0	\$2,497,947
YEAR-END RATE BASE	\$78,388,197	(\$6,174,372)	\$72,213,826	\$0	\$72,213,826
YEAR-END RATE OF RETURN	3.11%		3.46%		3.46%
		iv. Financ	CIAL INTEGRITY INDICATORS		
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		A. TIE WIT	H AFUDÇ	4.22	
		B. TIE WITT	HOUT AFUDC	4.22	
LOW	5,04%	C, AFUDC	TO NET INCOME	0,00	
MIDPOINT	5.45%	D. INTERN	ALLY GENERATED FUNDS	83.06	
HIGH	5.86%		TOTAL INVESTOR FUNDS	19.67	
		F. STD TO	TOTAL INVESTOR FUNDS	24.62	
		G. RETURN	ON COMMON EQUITY	6.14	

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the lintent 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

McKe Cassel (INT)
Signature

Date

Date

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending March 31, 2017 RATE BASE

	(1)	(2) ACCUMULATED	(3)	(4) NET PROPERTY	(5) CONSTRUCTION	(6) NET	(7)	(8)
	PLANT IN	DEPRECIATION &	PLANT IN	HELD FOR	WORK IN	UTILITY	WORKING	TOTAL
	SERVICE	AMORTIZATION	SERVICE	FUTURE USE	PROGRESS	PLANT	CAPITAL	RATE BASE
PER BOOKS	\$118,276,779	(\$59,476,54\$)	\$58,800,234	\$0	\$3,897,373	\$62,697,607	\$6,954,364	\$69,651,971
FPSC ADJUSTMENTS:								
			\$0			\$0		\$0
1) ELIM. NON UTILITY PLANT	\$0	\$0	\$0			\$0		\$0
2) REGULATORY LIAB - PENSION AMORT			\$0 \$0			\$0 \$0	\$0 (\$0)	\$0 (\$0)
REGULATORY ASSET - LITIGATION COSTS ELIMINATE NET UNDERRECOVERY			\$0			\$0	(\$3,147,056)	(\$3,147,056)
5)ADJUST TAX STEP UP TO STIPULATION						\$0	\$0	\$0
6) DEFERRED RATE CASE EXPENSE						\$0	(\$301,774)	(\$301,774)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$3,448,830)	(\$3,448,830)
FPSC ADJUSTED	\$118,276,779	(\$59,476,545)	\$58,800,234	\$0	\$3,897,373	\$62,697,607	\$3,505,\$34	\$66,203,141
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$118,276,779	(\$59,476,545)	\$58,800,234	\$0	\$3,897,373	\$62,697,607	\$3,505,534	\$66,203,141
PROFORMA ADJUSTMENTS		=						
PROPORINA ADJUST MIENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
					4	4	An acc :	
PRO FORMA ADJUSTED	\$118,276,779	(\$59,476,545)	\$58,800,234	\$0	\$3,897,373	\$62,697,607	\$3,505,534	\$66,203,141

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC

AVERAGE RATE OF RETURN
For the 12 Months Ending March 31, 2017
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	OPERATING	O & M FUEL	0 & M	DEPREC. &	TAXES OTHER	INCOME TAXES	D.I.T.	1.T.C.	ON	OPERATING	OPERATING
	REVENUES	EXPENSE	OTHER	AMORTIZATION	THAN INCOME	CURRENT	(NET)	(NET)	DISPOSITION	EXPENSES	INCOME
PER BOOKS	\$ 88,019,390	\$ 61,681,636	\$ 12,012,851	\$ 3,851,827	\$ 6,922,372	\$ 1,111,936				\$ 85,580,62	2 \$ 2,438,768
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT						\$ (64,029)				\$ (64.02	9) \$ 64,029
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (60,931,537)	\$ (60,876,159)			\$ (45,169)	\$ (3,938)				\$ (60,925,26	
3) ELIMINATE CONSERVATION	\$ (805,955)	\$ (805,477)			\$ (580)	\$ 39				\$ {806,01	8) \$ 63
4)NON-UTILITY DEPRECIATION EXPENSE				\$ -		\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				\$ -	\$ -
						\$ -				• -	\$ - \$ -
						•				•	•
TOTAL FPSC ADJUSTMENTS	\$ (61,737,492)	\$ (61,681,636)	\$ -	\$ -	\$ (45,748)	\$ (67,928)	\$ -	\$ -	\$ -	\$ (61,795,31	2) \$ 57,820
FPSC ADJUSTED	\$ 26,281,898	\$ -	\$ 12,012,851	\$ 3,851,827	\$ 6,876,624	\$ 1,044,008	\$ -	\$ -	\$ -	\$ 23,785,31	0 \$ 2,496,588
PRO FORMA ADJUSTMENTS											
										\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PRO FORMA ADJUSTED	\$26,281,898	\$0	\$12,012,851	\$3,851,827	\$6,876,624	\$1,044,008	\$0	\$0	\$0	\$23,785,31	0 \$2,496,588

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2017 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	\$124,646,996	(\$60,520,549)	\$64,126,447	\$0	\$1,237,327	\$65,363,774	\$13,024,423	\$78,388,197
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) (\$5,921,535) (\$252,837)	\$0 (\$0) (\$5,921,535) (\$252,837)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,174,372)	(\$6,174,372)
FPSC ADJUSTED	\$124,646,996	(\$60,520,549)	\$64,126,447	\$0	\$1,237,327 \$0	\$65,363,774 \$0	\$6,850,052 \$0	\$72,213,826 \$0
COMP RATE ADJ REVENUES ADJUSTED FOR COMP RATE ADJ REVENUE	\$124,646,996	(\$60,520,549)	\$64,126,447	\$0	\$1,237,327	\$65,363,774	\$6,850,052	\$72,213,826
PROFORMA ADJUSTMENTS	4-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	A				-	1	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 \$0
PRO FORMA ADJUSTED	\$124,646,996	(\$60,\$20,\$49)	\$64,126,447	\$0	\$1,237,327	\$65,363,774	\$6,850,052	\$72,213,826

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending March 31, 2017 INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) GAIN/LOSS	(10) TOTAL	(11) NET
	OPERATING	O & M FUEL	0 & M	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	(NEI)		DISPOSITION	EAPENSES	INCOME
PER BOOKS	\$ 88,019,390	\$ 61,681,636	\$ 12,012,851	\$ 3,851,827	\$ 6,922,372	\$ 1,111,936				\$ 85,580,622	\$ 2,438,768
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT						\$ (65,387)				\$ (65,387)	\$ 65,387
2) ELIMINATE FUEL REVENUES AND EXPENSES	\$ (60,931,537)	\$ (60,876,160)			\$ (45,169)	\$ (3,938)				\$ (60,925,266)	\$ (6,271)
3) ELIMINATE CONSERVATION	\$ (805,955)	\$ (805,476)			\$ (580)	\$ 39				\$ (806,017)	\$ 62
4)NON-UTILITY DEPRECIATION EXPENSE				\$ -		\$ -				\$ -	\$ -
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TOTAL FPSC ADJUSTMENTS	\$ (61,737,492)	\$ (61,681,636)	\$ -	\$ -	\$ (45,748)	\$ (69,286)	\$ -	\$ -	\$ -	\$ (61,796,671)	\$ 59,179
FPSC ADJUSTED	\$ 26,281,898	\$ - !	\$ 12,012,851	\$ 3,851,827	\$ 6,876,624	\$ 1,042,650	\$	\$ -	\$ -	\$ 23,783,951	\$ 2,497,947
PRO FORMA ADJUSTMENTS											
										\$ -	\$ -
TOTAL PRO FORMA ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PRO FORMA ADJUSTED	\$26,281,898	\$0	\$12,012,851	\$3,851,827	\$6,876,624	\$1,042,650	\$0	\$0	\$0	\$23,783,951	\$2,497,947

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC CAPITAL STRUCTURE March 31, 2017 FPSC ADJUSTED BASIS

							1.0	W POINT	М	IDPOINT	HI	GH POINT
	_	ADJUSTMENTS					COST	WEIGHTED	COST	WEIGHTED	COST	WEIGHTED
		ADJUS				RATIO	RATE	COST	RATE	COST	RATE	COST
AVERAGE	PER BOOKS	NON-UTILITY BOOK	S PRO-RAT	A SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
												1
COMMON EQUITY	\$28,982,753	\$28,9	2,753 (\$1,921,	234)	\$27,061,519	40.88%	9.25%	3.78%	10.25%	4.19%	11.25%	4.60%
LONG TERM DEBT - CU	\$8,808,843	\$8,8	8,843 (583,	28)	\$8,224,915	12.42%	4.87%	0.61%	4.87%	0.61%	4.87%	0.61%
SHORT TERM DEBT	\$12,810,463	\$12,8	0,463 (849,	91)	\$11, 96 1,272	18.07%	1.62%	0.29%	1.62%	0.29%	1.62%	0.29%
LONG TERM DEBT - FC	\$1,425,254	\$1,4	5,254 (94,	178)	\$1,330,775	2.01%	12.41%	0.25%	12.41%	0.25%	12.41%	0.25%
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,209,653	\$3,2	9,653		\$3,209,653	4.85%	2.34%	0.11%	2.34%	0.11%	2.34%	0.11%
DEFFERED INCOME TAXES	\$14,415,006	\$14,4	5,006		\$14,415,006	21.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0		\$0	0.00%	4.93%	0.00%	5.34%	0.00%	5.75%	0.00%
TOTAL AVERAGE	\$69,651,971	\$0 \$69,6	1,971 (\$3,448,	331) \$	0 \$66,203,141	100.00%		5.04%		5.45%		5.86%

,								FO	W 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	(%)	(%)	(%)	(%)	(%)	(%)	(%)
											ļ		
COMMON EQUITY	\$34,097,829		\$34,097,829	(3,551,426)	\$0	\$30,546,403	42.30%	9.25%	3.91%	10.25%	4.34%	11.25%	4.76%
LONG TERM DEBT - CU	\$9,044,256		\$9,044,256	(941,996)		\$8,102,260	11.22%	5.03%	0.56%	5.03%	0.56%	5.03%	0.56%
SHORT TERM DEBT	\$14,607,834		\$14,607,834	(1,521,465)		\$13,086,369	18.12%	1.51%	0.27%	1.51%	0.27%	1.51%	0.27%
LONG TERM DEBT - FC	\$1,531,239		\$1,531,239	(159,485)		\$1,371,755	1.90%	12.30%	0.23%	12.30%	0.23%	12.30%	0.23%
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0	-		\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$3,211,241		\$3,211,241			\$3,211,241	4.45%	2.34%	0.10%	2.34%	0.10%	2.34%	0.10%
DEFFERED INCOME TAXES	\$15,895,798		\$15,895,798			\$15,895,798	22.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	4.97%	0.00%	5.40%	0.00%	5.82%	0.00%
TOTAL YEAR-END	\$78,388,197	\$0	\$78,388,197	(\$6,17 <u>4,</u> 371)	\$0	\$72,213,826	100.00%		5.07%		5.50%		5.92%