

September 22, 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 2017 SEP 22 AM 3: 52

Re: Florida Public Utilities Company (Electric Division) 2nd Quarter 2017 Surveillance Report

Dear Mr. Maurey:

In accordance with Rules 25-6.1352(3), F.A.C., Florida Public Utilities Company hereby submits the original and four copies of the <u>Revised</u> 2nd Quarter Earnings Surveillance Report for 2017.

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

Date

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC RATE OF RETURN REPORT SUMMARY June 30, 2017

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED		(4) RO FORMA JUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	\$ 2,605,730	(\$23,211)	\$2,582,519		\$0	\$2,582,519
AVERAGE RATE BASE	\$72,905,351	(\$4,120,540)	\$68,784,811	#	\$0	\$68,784,811
AVERAGE RATE OF RETURN	3.57%		3.75%			3.75%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)						
NET OPERATING INCOME	\$2,605,730	(\$705)	\$2,605,025		\$0	\$2,605,025
YEAR-END RATE BASE	\$80,647,799	(\$5,493,648)	\$75,154,151	4,004,00	\$0	\$75,154,151
YEAR-END RATE OF RETURN	3.23%		3.47%			3.47%
		IV. FINAN(CIAL INTEGRITY INDICATORS			-
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		A. TIE WITH	H AFUDC	4.07		
LOW	5.11%	8. TJE WITH	HOUT AFUDC	4.07		
MIDPOINT	5.53%	C. AFUDC?	TO NET INCOME	0.00		
HIGH	5.94%	D. INTERN/	IALLY GENERATED FUNDS	83.68		
Rion	۵,۳۷٫۰	E. LTD TO	TOTAL INVESTOR FUNDS	20.78		
		F. STD TO	TOTAL INVESTOR FUNDS	22.83		
The state of the s		G. RETURN	N ON COMMON EQUITY	5.98		
intent to mislead a public servan	alse statement in writing with the ant in the performance of his official neanor of the second degree punishable					
Mike Cassel Director- Regulatory Affairs	2 3 4 1 2	1021 Edm	ec short		9/.	21/17

Signature

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending June 30, 2017 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	\$121,240,513	(\$60,214,597)	\$61,025,916	\$0	\$3,102,785	\$64,128,701	\$8,776,649	\$72,905,351
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) (\$3,843,235) \$0 (\$277,305) (\$4,120,540)	\$0 \$0 \$0 (\$0) (\$3,843,235) \$0 (\$277,305) (\$4,120,540)
FPSC ADJUSTED	\$121,240,513	(\$60,214,597)	\$61,025,916	\$0	\$3,102,785	\$64,128,701	\$4,656,109	\$68,784,811
FLEX RATE REVENUES	\$0	\$0	\$0	\$0	\$0	\$0_	\$0	\$0
ADJUSTED FOR FLEX RATE REVENUES	\$121,240,513	(\$60,214,597)	\$61,025,916	\$0	\$3,102,785	\$64,128,701	\$4,656,109	\$68,784,811
PROFORMA ADJUSTMENTS								
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$121,240,513	(\$60,214,597)	\$61,025,916	\$0	\$3,102,785	\$64,128,701	\$4,656,109	\$68,784,811

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC AVERAGE RATE OF RETURN For the 12 Months Ending June 30, 2017

INCOME STATEMENT

		(1) DPERATING REVENUES		(2) O & M FUEL EXPENSE	(3) O & M OTHER	(4) DEPREC. & HORTIZATION		(5) AXES OTHER IAN INCOME		(6) COME TAXES CURRENT	D	(7) .I.T. VET)	1.	(8) T.C. IET)	GAI	(9) N/LOSS ON OSITION		(10) TOTAL OPERATING EXPENSES		(11) NET DPERATING INCOME
PER BOOKS	\$	89,196,647	\$	62,848,053	\$ 11,840,739	\$ 3,929,163	\$	6,903,349	\$	1,069,613							\$	86,590,917	\$	2,605,730
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4)NON-UTILITY DEPRECIATION EXPENSE 5) ELIMINATE REVENUE RELATED TAXES (FRANCHIS & GROSS RECEIPTS)	\$ \$ E \$	(62,160,007) (753,916) (5,765,734)	\$ \$	(62,094,371) (753,682)		\$ -	\$ \$	(45,727) (542) (5,765,734)	\$ \$ \$ \$	11,172 (7,680) 119 -							\$ \$ \$ \$	11,172 (62,147,778) (754,105) - (5,765,734)	\$ \$ \$ \$ \$	(11,172) (12,229) 189 - - -
									\$ \$ \$ \$ \$ \$	- - - - -							\$ \$ \$ \$ \$ \$		\$ \$ \$ \$ \$ \$	- - - - -
TOTAL FPSC ADJUSTMENTS	\$	(68,679,657)	\$	(62,848,053)	\$ -	\$ 	\$	(5,812,004)	\$	3,611	\$		\$		\$		\$	(68,656,446)	\$	(23,211)
FPSC ADJUSTED	.\$	20,516,990	\$	-	\$ 11,840,739	\$ 3,929,163	\$	1,091,345	\$	1,073,224	\$		\$		\$		\$	17,934,471	\$	2,582,519
PRO FORMA ADJUSTMENTS																	\$		\$	
TOTAL PRO FORMA ADJUSTMENTS	\$		\$	-	\$ -	\$ 	\$	-	\$		\$		\$	<u>.</u>	\$		\$	-	\$	-
PRO F O RMA ADJUSTED		\$20,516,990		\$0	 \$11,840,739	 \$3,929,163		\$1,091,345	_	\$1,073,224		\$0		\$0		\$0		\$17,934,471		\$2,582,519

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FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending June 30, 2017 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 UTIUTY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	\$125,890,248	(\$61,514,826)	\$64,375,423	\$0	\$2,340,419	\$66,715,842	\$13,931,957	\$80,647,799
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) (\$5,265,280) (\$228,368)	\$0 (\$0) (\$5,265,280) (\$228,368)
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,493,648)	(\$5,493,648)
FPSC ADJUSTED COMP RATE ADJ REVENUES	\$125,890,248	(\$61,514,826) \$0	\$64,375,423 \$0	\$0 \$0	\$2,340,419 \$0	\$66,715,842 \$0	\$8,438,309	\$75,154,151 \$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$125,890,248	(\$61,514,826)	\$64,375,423	\$0	\$2,340,419	\$66,715,842	\$8,438,309	\$75,154,151
PROFORMA ADJUSTMENTS		-						\$0 \$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PRO FORMA ADJUSTED	\$125,890,248	(\$61,514,826)	\$64,375,423	\$0	\$2,340,419	\$66,715,842	\$8,438,309	\$75,154,151

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC YEAR END RATE OF RETURN For the 12 Months Ending June 30, 2017 INCOME STATEMENT

		(1) OPERATING REVENUES		(2) O & M FUEL EXPENSE	_	(3) O & M OTHER	(4) (5) DEPREC. & TAXES OTHER AMORTIZATION THAN INCOME		(6) INCOME TAXES CURRENT		(7) D.I.T. (NET)		(8) I.T.C. (NET)	GAI	(9) GAIN/LOSS ON DISPOSITION		(10) TOTAL OPERATING EXPENSES		(11) NET OPERATING INCOME	
PER BOOKS	\$	89,196,647	\$	62,848,053	\$	11,840,739	\$ 3,929,163	\$	6,903,349	\$	1,069,613						\$	86,590,917	\$	2,605,730
FPSC ADJUSTMENTS: 1) INCOME TAX SYNCH ADJUSTMENT 2) ELIMINATE FUEL REVENUES AND EXPENSES 3) ELIMINATE CONSERVATION 4) NON-UTILITY DEPRECIATION EXPENSE 5) ELIMINATE REVENUE RELATED TAXES (FRANCHISE & GROSS RECEIPTS)	\$ \$	(62,160,007) (753,916) (5,765,734)	\$ \$	(62,094,372) (753,681)			\$ -	\$ \$		\$ \$ \$ \$	(11,334) (7,679) 119 -						\$ \$ \$ \$	(11,334) (62,147,779) (754,105) - (5,765,734)	\$ \$ \$ \$	11,334 (12,228) 189
GROSS RECEIPTS)	,	(3,763,734)						Þ	(3,703,734)	\$							\$	(3,763,734)	\$	-
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TOTAL FPSC ADJUSTMENTS FPSC ADJUSTED	\$	(68,679,657) 20,516,990	\$	(62,848,053)	\$	11,840,739	\$ 3,929,163	\$	· · · · · ·	\$	(18,895)	\$	-	\$ - \$ -	\$	-	\$	(68,678,952) 17,911,965	\$	(705) 2,605,025
PRO FORMA ADJUSTMENTS																				
TOTAL PRO FORMA ADJUSTMENTS	\$		\$	<u> </u>	\$		\$ -	\$	-	\$	-	\$	- <u>-</u>	\$ -	\$		\$	-	\$	·
PRO FORMA ADJUSTED		\$20,516,990		\$0		\$11,840,739	 \$3,929,163		\$1,091,345	_	\$1,050,718		\$0	\$0		\$0	_	\$17,911,965		\$2,605,025

FLORIDA PUBLIC UTILITIES COMPANY ELECTRIC CAPITAL STRUCTURE June 30, 2017 FPSC ADJUSTED BASIS

								LO	W POINT	MI	DPOINT	НЮ	SH POINT
		ADJUSTMENTS	ADJUSTED				RATIO	COST	WEIGHTED	COST	WEIGHTED COST	COST	WEIGHTED COST
AVERAGE	PER BOOKS	NON-UTILITY	BOOKS	PRO-RATA	SPECIFIC	BALANCE	(%)	(%)	(%)	(%)	(%)	(%)	(%)
COMMON EQUITY	\$30,896,811		\$30,896,811	(\$2,323,473)		\$28,573,338	41.54%	9.25%	3.84%	10.25%	4.26%	11.25%	4.67%
LONG TERM DÉBT - CU	\$9,912,904		\$9,912,904	(745,461)		\$9,167,443	13.33%	4.66%	0.62%	4.66%	0.62%	4.66%	0.62%
SHORT TERM DEBT	\$12,511,266		\$12,511,266	(940,861)		\$11,570,405	16.82%	1.77%	0.30%	1.77%	0.30%	1.77%	0.30%
LONG TERM DEBT - FC	\$1,472,658		\$1,472,658	(110,745)		\$1,361,913	1.98%	12.35%	0.24%	12.35%	0.24%	12.35%	0.24%
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	\$3,212,992		\$3,212,992			\$3,212,992	4.67%	2.37%	0.11%	2.37%	0.11%	2.37%	0.11%
DEFFERED INCOME TAXES	\$14,898,719		\$14,898,719			\$14,898,719	21.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	5.00%	0.00%	5.42%	0.00%	5.83%	0.00%
TOTAL AVERAGE	\$72,905,351	\$0	\$72,905,351	(\$4,120,540)	\$0	\$68,784,811	100.00%		5.11%		5.53%		5.94%
	Ţ12,503,331		7.2,303,332	(+ -/)- 10)		+,,	230.0070		5.4170		3.5376		5.5 170

,								LOW POINT MIDPOINT				HIGH POINT			
YEAR-END	PER BOOKS	ADJUSTMENTS NON-UTILITY	ADJUSTED BOOKS	PRO-RATA	SPECIFIC	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)		
COMMON EQUITY	\$35,010,404		\$35,010,404	(3,120,135)	\$0	\$31,890,269	42.43%	9.25%	3.93%	10.25%	4.35%	11.25%	4.77%		
LONG TERM DEBT - CU	\$14,081,904		\$14,081,904	(1,254,982)		\$12,826,922	17.07%	3.57%	0.61%	3.57%	0.61%	3.57%	0.61%		
SHORT TERM DEBT	\$10,911,953		\$10,911,953	(972,476)		\$9,939,477	13.23%	2.17%	0.29%	2.17%	0.29%	2.17%	0.29%		
LONG TERM DEBT - FC	\$1,638,858		\$1,638,858	(146,055)		\$1,492,802	1.99%	12.25%	0.24%	12.25%	0.24%	12.25%	0.24%		
SHORT TERM DEBT - REFINANCED LTD	\$0		\$0			\$0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
CUSTOMER DEPOSITS	\$3,225,168		\$3,225,168			\$3,225,168	4.29%	2.36%	0.10%	2.36%	0.10%	2.36%	0.10%		
DEFFERED INCOME TAXES	\$15,779,512		\$15,779,512			\$15,779,512	21.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
TAX CREDITS - WEIGHTED COST	\$0		\$0			\$0	0.00%	5.07%	0.00%	5.49%	0.00%	5.91%	0.00%		
													-		
TOTAL YEAR-END	\$80,647,799	\$0	\$80,647,799	(\$5,493,648)	\$0	\$75,154,151	100.00%		5.17%		5.59%		6.01%		